Nation's Business

A LOOK AHEAD

FEBRUARY 1956

Traffic jam costs $25,000,000,000

Startling rise in traffic density is shown by heavy line. White line represents adequate conditions

PAGE 36

Here's how 12 men control Congress PAGE 33

Labor's political machine goes to work

We don't need federal aid for s

AN INTERVIEW WITH THE GOVERNOR OF ILLINOIS

UNIVERSITY MICROFILMS
E B POWER
313 N FIRST ST
ANN ARBOR MICH
SAMPLE

Waiting *for your business to improve?*

Experienced management has proved, time and time again, that things don't just happen. Improvement is caused by corrective *action!* The many ailments from which a business can suffer...such as rising costs, complicated personnel problems, contracting markets, outmoded methods...all lead to one end result: decreasing net profits or actual losses. They must be stopped by corrective action.

Top management in more than 44,000 businesses during the past 32 years has made profitable use of the business engineering service offered by the George S. May Company. This unique service does not stop with reports or counsel; corrective recommendations are put into effect by "action engineering." Benefits are immediate and are reflected in black ink on the profit and loss statement.

If you have been vaguely aware of the need for changes and improvements in the structure and operation of your business, you will do well to call in the George S. May Company. Put the world's largest accumulation of business knowledge and experience to work on your problems. Call any of our offices today. There is no obligation.

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Illinois

How several men in different cities can talk things over together

YOU CAN BRING BUSY MEN TOGETHER RIGHT NOW WITH A TELEPHONE CONFERENCE CALL

When you need to talk things over with two or more busy men in different cities, it's easy . . . and fast . . . with a telephone Conference Call.

You can talk to two, three, four (or many more) men in as many different cities any distance apart.

Each of them can take part in the discussion. Exchange ideas. Clear up questions. Help reach decisions. It's almost as if all of you were sitting around a conference table.

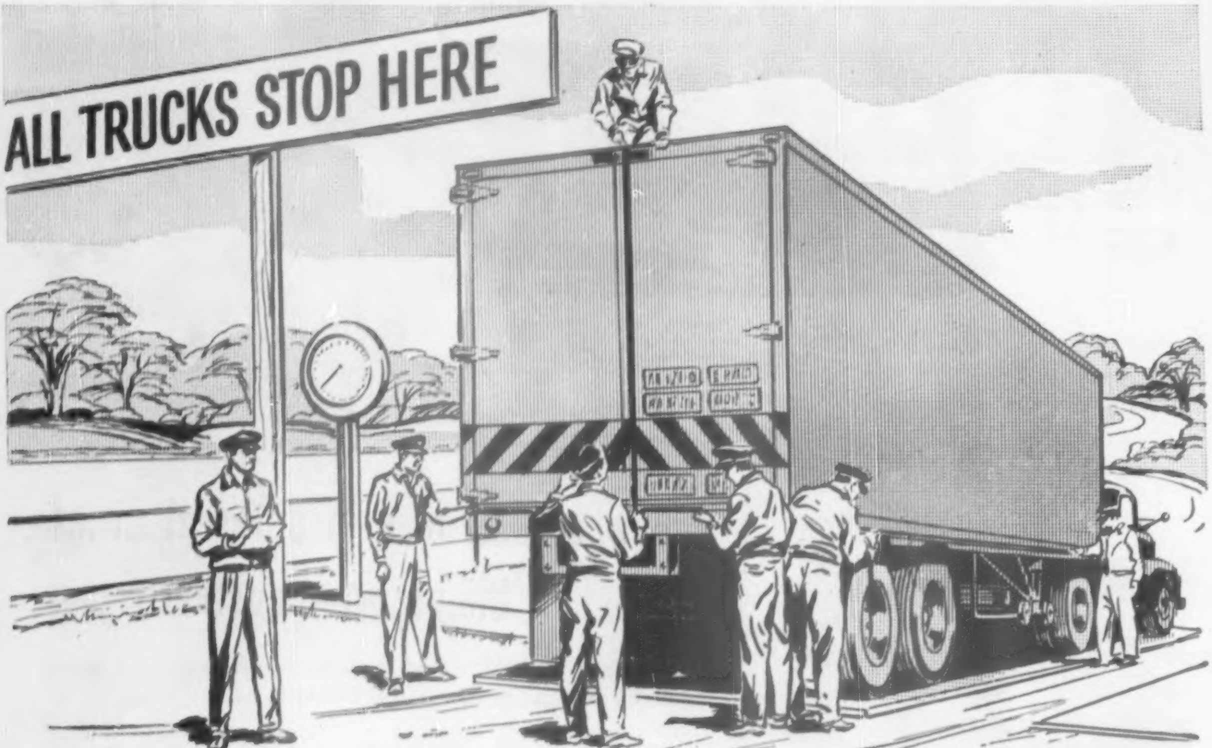
The cost of telephone conference service is low. A daytime call, for example, connecting Boston, Chicago and Pittsburgh costs $4 for the first three minutes and 75 cents for each additional minute. (This does not include the 10% federal excise tax.)

Try this modern service the next time you want to talk with several out-of-town business contacts.

Just tell the operator you want to make a Conference Call.

Pennsylvania

BELL TELEPHONE SYSTEM



Who Says Trucks Aren't Regulated?

Railroad contentions might lead you to believe that they are the only regulated transport — that other forms of transportation operate high, wide and handsome while the railroads are handcuffed by regulation.

Nothing is further from the truth!

All forms of public transportation are regulated—either by the Interstate Commerce Commission, other regulatory bodies, or both. As for trucks—in addition to federal regulations on operating authority, rights of way, safety features, etc., they come in for strict state limitations on size and weight, pay numerous licenses and registration fees.

Such regulation is designed primarily to protect you—in the price you pay for everything you eat, wear or use—in the availability to you of the kind of transportation service you need — when and where you need it.

In this free country nobody really likes regulation—especially those regulated. *But* present national transportation regulation is fair, impartial and effective. Only the railroads want it changed. Why?

AMERICAN TRUCKING INDUSTRY

ATA

AMERICAN TRUCKING ASSOCIATIONS, INC., WASHINGTON 6, D. C.

If You've Got It . . . A Truck Brought It!

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which letter is more likely to succeed?

The one with the crystal-clear window can mean better business

The cost is negligible but the extra value of crystal-clear acetate windows is worth dollars in goodwill and good public relations for your business. On your next order of stationery, order *Acetate* windows.
Celanese Corporation of America,
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*Reg. U. S. Pat. Off.

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Can You Call a Man a "Failure" at Thirty?

Men who think that success is only a matter of "a few years" are failures . . . however young they are!

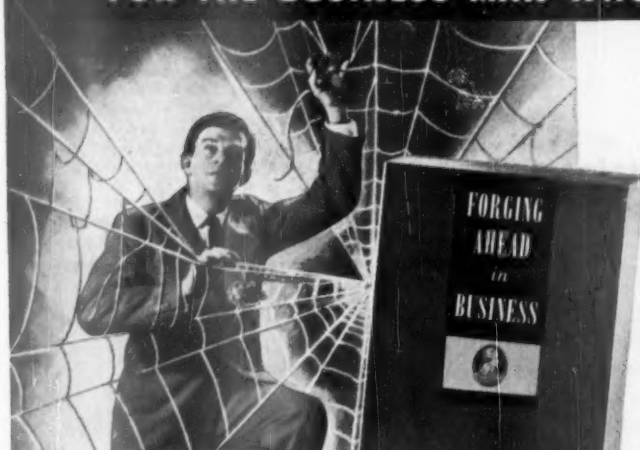
How often have you heard some young man in business say, "I'll admit the job I have now isn't much but, after all, I'm only in my twenties."

Or: "Just about every executive in the company I work for is between 45 and 65. I have plenty of time to get ahead."

This *mistaken* idea that success comes automatically with time is easy to understand. Promotions do come regularly and effortlessly to young men of promise. *But* the day arrives, often abruptly, when that promise must be *fulfilled*. Native ability and intelligence can carry a man only to the mid-way point in business—beyond that he must *prove* his capacity to justify a position of executive responsibility. That calls for a practical, working knowledge of business fundamentals.

The time to build that knowledge—to lay a solid groundwork for your future progress—is now . . . *now* while time is still on your side. If you fail to recognize that fact, you'll know only struggling, skimping and regret when your earning power should be at its height.

FOR THE BUSINESS MAN WHO REFUSES TO STAGNATE



HALF the world is half asleep! Men who could be making twice their present salaries are coasting along, hoping for promotions but doing nothing to bring themselves forcefully to the attention of management. They're wasting the most fruitful years of their business lives... throwing away thousands of dollars they'll never be able to make up.

*If you want to discover how to start to succeed while you're still young—if you want to avoid the heartbreak of failure in later years—send today for "Forging Ahead in Business"... one of the most practical and helpful booklets ever written on the problems of personal advancement. You will discover what the qualifications of an executive are in today's competitive market . . . what you must know to make $15,000, $20,000 or more a year . . . what you must *do* to accumulate this knowledge.

"Forging Ahead in Business" was written for ambitious men who seriously want to get down to bed-rock in their thinking about their business future; there's no charge for the booklet because, frankly, we've never been able to set a price on it that would reflect its true value. Some men have found a fortune in its pages. If you feel that it's meant for you, simply fill out and return this coupon. Your complimentary copy will be mailed to you promptly.

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does this keep you awake nights?

...it should!

In an America where water needs are at an all time high, a dripping faucet is more than an annoyance.

It's a threat!

Unchecked, a dripping faucet will waste over 10,000 gallons of water yearly: a steady stream, over 160,000 gallons!

But leakage, vital in itself, is only one phase of America's over-all water problem. While water consumption skyrockets, average annual rainfall remains the same. Erosion of precious moisture-holding soil continues.

The nation's water officials are keenly aware of the problem and doing all they can to solve it. You can help.

By encouraging advance planning of new water facilities. By supporting realistic water rates. By voting for bond issues designed to expand or improve your present water facilities. By using water wisely in your home and business.

QUALITY... knows no age

When it's time to build a water system or modernize an existing one, remember: For all *practical* purposes, cast iron pipe is ageless. Today, over 70 American public utilities are still served by cast iron mains laid over 100 years ago. Cast iron's demonstrated long life saves tax dollars.

Man's Most Dependable Carrier of Water... Cast Iron Pipe

Laid 123 years ago this rugged cast iron water main still serves Richmond, Virginia. Today... more dependable than ever... modernized cast iron pipe, centrifugally cast, is even tougher, stronger, more uniform.

Cast Iron Gas Mains Serve Longer, Too

This cast iron gas main, laid 120 years ago, still serves Boston, Mass.

Cast iron pipe... on its record... is the most efficient and economical pipe ever made for gas distribution. Cast Iron Pipe Research Association, Thos. F. Wolfe, Managing Director, 122 So. Michigan Ave., Chicago 3.

CAST IRON PIPE

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MANAGEMENT'S washington letter

▶CONGRESS SHOWS surprisingly little enthusiasm for tax cuts--but best guess is lawmakers will cut them anyway.

That's general feeling in Washington.

Three questions congressmen debate are:

How much to cut?
Who will benefit?
What will be effective date?

▶INFORMED GUESS is that Congress will vote $2,000,000,000 cut--give or take a little.

Actual amount depends on income prospects. Rate reduction will be measured, allowing for expected income rise, to give Treasury as many dollars in fiscal '57 as it will collect this year.

Persons who pay least tax will benefit most.

Effective date will be July 1.

That has budgetary advantage of getting extra Treasury income at higher rate for six months.

It also has political advantage of having reduction show up in take-home pay at election time.

▶CORPORATE INCOME tax will come up for study soon.

Rate was raised from 47 to 52 per cent at start of Korean war. It has been extended twice.

Now it'll drop back on April 1 if Congress doesn't act. This would cut revenue about $2,000,000,000.

Therefore: Look for Congress to keep 52 per cent rate another year.

Note: This fiscal year, corporations will pay about $21,000,000,000 in federal taxes.

▶IKE-BACKED labor legislation probably won't get far this session.

Proposal requiring reports of employe pension and welfare fund financial transactions is expected to pass.

Proposals facing strong opposition include Taft-Hartley amendments, extended minimum wage coverage (Congress likely to rest with $1 minimum passed last year).

Others: industrial safety grants to states, eight-hour law amendments, equal pay for women.

Future course of state workmen's compensation laws is being shaped: Insurance, trade association, state, other comments on model bill drafted by Labor Department are due May 1.

▶HIGHWAY LEGISLATION will pass, say prominent legislators in capital, who add:

Decision on financing must be worked out. Many bills already submitted stick to President's original plan--bond financing of national interstate system outside of debt limit.

Other bills call for new user taxes to pay for construction out of current funds.

Meanwhile, survey shows 130 projects totaling $5,500,000,000 were put aside by cities waiting for federal aid.

▶OTHER LEGISLATION and probable action include:

Farm--No. 1 political fight of the session. Flexible supports will be kept. Soil bank, other new devices may be added.

Spending--defense, mutual security costs will remain high. Domestic spending will inch upward.

Social Security--controversy expected over broader coverage. disability benefits, lower age requirements for women.

Foreign aid--disagreement over long-term commitment. Economic assistance at about present level anticipated.

Disaster insurance--token steps to relieve hurricane, flood areas.

Postal rates--won't go beyond discussion stage.

Health--medical research will get more funds. Reinsurance will remain stymied.

Housing--over objections, some federal housing will be continued.

Natural gas--House-passed bill to free producers from federal control will meet new battle in Senate, may squeeze through.

▶YOU CAN EXPECT to hear some recession talk this year--so don't be confused by talk or statistics.

Here's what top economists in Washington are saying:

Growth of gross national product may slow down for a quarter, perhaps two quarters, before climb starts again.

Reason: Last year's big increase

raised production near top speed limit.
Real key to what's coming is investment in new plant and equipment.
This reaches annual rate of $31,600,000,000 during first quarter '56. That's up from $25,650,000,000 year ago, reflects business confidence in future buying power of consumers.
Note: $13,440,000,000 of total is going for new manufacturing capacity. That's up $3,260,000,000 in one year.

▶U.S. WILL PASS $400,000,000,000 gross national product (total all goods and service) milestone this year.
Annual rate is nudging it now.
Estimate is that mark will be reached in third or fourth quarter.
Other significant milestones:
1933--$56,000,000,000, low point from $104,000,000,000 GNP high in 1929.
1940 third quarter--$100,000,000,000.
1943 fourth quarter--$200,000,000,000.
1950 fourth quarter--$300,000,000,000.
Estimate: U.S. will reach $500,000,-000,000 mark in 1962.

▶PERSONAL INCOME is growing faster than population.
Here are the facts:
Population rise for past year was 2,581,000 (to 165,628,000), or 1.6 per cent.
Total personal income increased $20,700,000,000 (to annual rate of $311,500,000,000) or 7.1 per cent.
Meaning: U.S. Treasury's income goes up, too--about $1,600,000,000 for same period.

▶NEW WHOLESALE FIRMS have better chance of survival than new retail businesses.
That's finding of Commerce Department survey of business population.
Survey shows three fourths of new wholesale businesses survived their first full year of operation and about 30 per cent survived more than 10 years.
Of retail firms, 60 per cent lasted out their first year. Only one sixth reached 10 years.

▶WANT TO KNOW what your customers will do with their money this year?
You won't have long to wait.
University of Michigan research center (under contract with Federal Reserve Board) expects:
1. To complete study this month of consumers in 34 states and District of Columbia.
2. To find out what typical consumer plans for autos, appliances, homes.
3. To estimate what average consumer thinks these products will cost him.
4. To find out how much consumer expects to be in debt by end of '56.
Results will be tabulated, published by FRB at end of first quarter this year.

▶WORKERS' PAY rises faster than that of top industry executives.
That's shown by American Management Association study of payments to 25,000 executives of more than 3,000 U.S. and Canadian firms for past two years.
Executive pay rose average of 1.8 per cent. Hourly wages of workers in manufacturing industries went up 5 per cent.
Executive figures include all types of payment--salaries, bonuses, company contributions to retirement funds.

▶POCKETS OF UNEMPLOYMENT are drying up.
Year ago 48 major labor surplus areas were listed by Bureau of Employment Security.
Now there are 19--and three of those are outside continental U.S., in Puerto Rico.
Number of smaller areas with jobless problems also has shrunk from 113 a year ago to 64.

▶NEW ALL-TIME employment peak should show up soon.
Previous peak (65,488,000) was reached last August with subsequent months close behind.
Census Bureau expects another 700,000 to join work force this year, looks for about 66,000,000 to be at work in August.
Government figures, out this month, are expected to show some slide from December's 64,165,000--record for that time of year.
But slide is seasonal, reflects winter cut-backs. Doesn't mean economy is in trouble.

▶INVESTIGATIONS, prosecutions of U.S.

MANAGEMENT'S washington letter

income tax violations will pick up steam in months ahead.

Reason for pickup--basically--is tougher enforcement by fraud-hunting agents of Internal Revenue Service.

To spur the hunt IRS has added about 10,000 people to Audit Division in 18 months, similar number to Intelligence Division.

Convictions of tax violations show mounting intensity of the search for fraud.

Convictions: 377 in '52; 493 in '53; 542 in '54; 606 in '55; more in '56, says IRS.

IRS Commissioner Russell C. Harrington explains more on U.S. income tax operations in exclusive NATION'S BUSINESS interview on page 38.

▶PAYROLL COSTS will rise this year. Besides major contract negotiations coming up in aircraft, steel, other industries, upward wage pressures already known include:

1. Deferred wage increases due 2,750,000 workers under long-term labor contracts.

Largest group--1,500,000 in metalworking (autos, farm equipment, electrical goods)--will get 6 cents more an hour.

About 350,000 in trucking, local transit, other transportation, have 8 to 11 cents more coming.

About 200,000 soft coal miners and 500,000 construction workers will get 10 cent boost.

2. Average hourly 13 cent increase for estimated 2,100,000 workers when new minimum wage law goes into force March 1.

That'll add $500,000,000 a year to payroll costs.

Other workers already above $1 minimum will get boosts, too.

For other minimum wage developments see page 66.

▶BUSINESSES will be choosier about picking executives in coming months.

Evidence: Nationwide analysis of display-advertised positions shows leveling off of demand for $10,000-plus men.

Demand, at fever pitch six months ago, is easing, particularly in fields of engineering and marketing.

Firm which made analysis (Heidrick & Struggles, Chicago) says companies apparently have filled critical personnel gaps, now are proceeding with less urgency, carefully evaluating promotion potential of men already on payroll.

▶INTEREST in new office equipment is running high.

Proof of this is seen in survey conducted by a national association of office executives among its 16,000 members.

Survey findings: 72 per cent of executives responding to poll list office machines and equipment as of primary importance, 44 per cent plan purchases this year.

Average planned expenditure: $28,400.

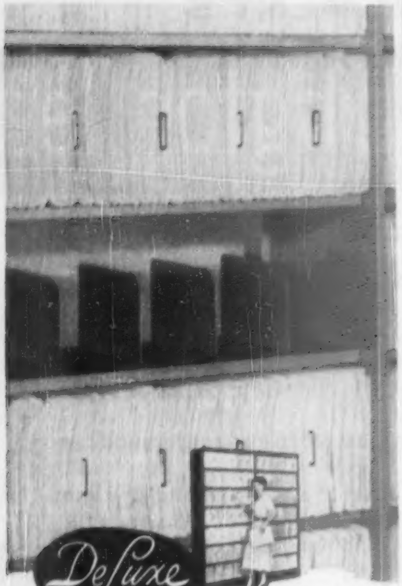
▶WHY do younger men earn more than older men?

Census analysis reveals median income before taxes of men 35 to 44 is now $4,700, up about $1,200 from '48.

For men 45-54 it's $4,400, up about $1,000 from '48.

Analysts say this reflects G.I. Bill college and on-job training of younger men, giving veterans educational edge over nonveterans and older men.

▶BRIEFS: Construction in the institutions field, schools, colleges, hospitals, is expected to pass $10,000,000,000 mark this year, four per cent jump over '55....February draft call is lowest since start of Korean war. Defense Department calls 6,000 men, 2,000 below January quota....Trademark registrations reflect healthy business: 18,212 were registered last year, compared to 15,954 registrations in 1954....Swimming pool industry booms, with record outlay of $325,000,000 planned in 1956....You can expect to pay more for clerical help this year: National Office Management Association survey shows pay averaged $2 per week more in 1955 than in preceding year....Analysis of figures compiled by Commerce Department shows more than $700,000,000,000 has been spent by U.S. citizens, business since '46 to expand tangible wealth in form of producers' and consumers' durable goods.



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Why not have our literature and prices in front of you?

WRITE FOR NEW BROCHURE AND PRICES on "VERTI-FILE"

DELUXE METAL FURNITURE COMPANY
458 Struthers St. WARREN, PA.

A DIVISION OF THE ROYAL METAL MFG. CO.

Manufacturers of library shelving, industrial shelving, and factory furniture for over a quarter of a century.

Businessmen say ▼ ▼ ▼ ▼ ▼

White House says

We are very much impressed with the presentation of the "Election Year Report." [January]

HOWARD PYLE
Deputy Ass't. to The President
The White House
Washington, D. C.

Congress at work

I read with interest the article in the December issue, "10,625 Bills Swamp Congress," and particularly noted complaint of a senator in connection with the amount of time he has to spend in committee work.

I wonder if it ever occurred to our elected representatives that much of this committee work is wasted effort—that no worth-while results are accomplished.

Having personally had the dubious distinction of appearing before several Senate investigating committees some years ago, I know just how much time is wasted not only on the part of senators, but particularly that of business executives who should be devoting their efforts to the customers, to the security holders and to the employes.

If newspapers, instead of reporting activities of various committees in three inch type, indicated such activities on page 20, among the want ads, many committees would never see the light of day, with the result that our elected representatives might confine their activities to worth-while endeavors for the benefit of the country as a whole.

Just the other day several senators made the statement that GM was too big.

Just why is GM such a large organization? It is because of me, and millions of others like me.

The American people make business big—big business doesn't make itself. And the only reason business is big is because it produces what the people want, and at a price they can afford to pay.

Some day I am sure that the American people will see that our senators and congressmen confine their efforts to running the country, instead of spending so much time interfering with free enterprise, taxpaying, business-operated organizations.

O. E. WASSER
St. Petersburg, Fla.

Fresh air needed

The title ["Quality or Quantity? Our High Schools Must Choose", January] is ill-chosen. There is a third choice: vocational schools. That is part of the answer to the problem.

The great bulk of kids have no capacity for basic intellectual training and do not want it in the first place. They want a job. The quickest way to get these youngsters out of the hair of the school system is to train them for specialist vocational jobs.

We need some fresh air in pedagogy—a more realistic viewpoint on what kind of material the schools are dealing with and the preparation for specific objectives.

At present everything is diluted to the quantity basis. Let's separate the wheat from the chaff.

MAURY M. TRAVIS
Casper, Wyo.

Impossible position

Congressional attempts to bolster up this economy by so-called farm supports have put us in the impossible position today of not only having more farm production than we can use but also a shrinking agricultural market for what we can raise. ("Here's the Farm Problem" December issue)

Congress has committed us to a labor welfare policy that must be expanded yearly in order to meet the financial payments due . . . big business is no longer financing its improvements from reserves and profits, but through additional stock issues in order to have sufficient cash on hand to pay dividends.

Labor must have a foretaste of what can happen when Mr. Meany wishes to gear labor relations to business' ability to pay.

A national policy entirely founded on self-interest, whether it be labor, agriculture or management, can do

Making shipments abroad used to make Sam a wreck
With the miles of red tape and the boss on his neck.

Now he's making those shipments without strain or stress
With the new world-wide service of **RAILWAY EXPRESS!**

The big difference is

RAILWAY EXPRESS AGENCY

NOW WORLD WIDE

Now Railway Express goes world wide! In addition to its nationwide coverage, Railway Express now circles the globe. New global air connections plus new low import-export rates combine to give you the most economical, fast international shipping service available! Whether you're sending or receiving, whether your shipment is big or small, no matter where you ship—it pays to use Railway Express. It makes the big difference in speed, economy, and safe, sure delivery.

...safe, swift, sure

Railway Express will take your orders for Care

"We've found BLUE CROSS enables employees in a growing company like ours to enjoy the finest protection!"

Says **CHARLES W. NEWHALL, JR.,** *President, Flight Refueling, Inc., Baltimore, Md.*

Aerial refueling to give jets range unlimited.

"We had Blue Cross even before we moved here from out of state nearly 2 years ago—and we still have it. In our growth from a handful of employees to over 300, Blue Cross has provided real hospital care protection at low cost. Its flexibility and ease of administration, too, make it ideal."

Blue Cross Plans, serving locally coast to coast, bring Americans this famed program for prepayment of hospital care . . . the only one officially approved by the American Hospital Association.

BLUE CROSS is the practical way for employers to make available real security against hospital expenses. That's been proved through 25 years! ***Meets employee needs realistically.*** When need for hospitalization arises, the local Blue Cross Plan helps *immediately*. Its objective is to provide for the *hospital care required*, not just indemnity allowances. To get basic services, the employee simply shows his Blue Cross card upon admission to the hospital.

Works directly with hospitals. Through unique arrangements with hospitals in its area, the local Blue Cross Plan is close to the patient and his needs. This "partnership" brings many special benefits to employees *and* management.

Simplifies management's part. Blue Cross Plans, through their hospital relationships, save companies trouble and expense in filing claims, making investigations and following up cases.

Offers complete flexibility. Blue Cross may be readily integrated with health and welfare programs. It can also be a retirement benefit, for employees may keep Blue Cross protection when they leave the company.

$763,000,000 in hospital care last year! Efficient operation and the fact that they do not take a profit, enable Blue Cross Plans to provide broad protection at minimum cost. Every cent taken in, except for low expenses, is set aside to pay hospital bills.

Local service coast to coast. Blue Cross protection is provided by individual Plans, each one organized *locally* by community and hospital leaders. Costs and benefits are adjusted *locally* to meet local needs and conditions.

For facts-and-figures information on how Blue Cross can serve your company, whether it's large or small, contact your local Blue Cross Plan. Or write *Blue Cross Commission, Dept. 704, 425 North Michigan, Chicago 11, Illinois.*

Some of the 345,000 companies that have chosen Blue Cross

CHRYSLER CORP.
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VICK CHEMICAL CO.

BLUE CROSS®

®Blue Cross and symbol registered by American Hospital Association

us more economic harm than all the Soviets on the three continents. Lenin predicted that the capitalistic economy would collapse from within. Let's all see that it doesn't happen.

ROY MOUNT
Auburn, N. Y.

Enlightening

While making a recent trip by airplane, I happened to pick up the plane's copy of the December issue of NATION'S BUSINESS. I read with considerable interest the two articles dealing with the farm problem. Both articles were well written and presented the problem in an enlightened and frank manner, particularly the article entitled "Here's the Farm Problem."

W. L. TURNER
Cooperative Extension Work
State of North Carolina
Raleigh, N. C.

I have just finished reading your article on the farm problem and believe you are overlooking the main fact, which is that the charter of the Commodity Credit Corporation provides for the sale of commodities in world trade on a competitive basis. This authority the Administration has failed to use.

JAMIE L. WHITTEN, M. C.
Congress of the United States
Washington, D. C.

To train executives

We are considering several approaches to the important problem of management development. One of these approaches which has been brought to our attention is "The Incident Process," which has been developed by Dr. Paul Pigors of the Massachusetts Institute of Technology.

It is our understanding that you carried an article describing this new approach to management development. We would greatly appreciate receiving a reprint.

R. C. VAN NORSTRAND
Salt River Project
Phoenix, Ariz.

"Training Method Tests Executive Judgment," June issue.

Million new owners

Your article in the November issue, "Biggest Firms get 1,370,000 New Owners," seems to be of such importance that we would very much like to reproduce it for intercompany sales promotion purposes. We would appreciate your permission to go ahead.

H. K. SHAW
The Scholl Mfg. Co., Inc.
Chicago, Ill.

Permission granted.

CHARLES W. NEWHALL, JR., *Pres., Flight Refueling, Inc., Baltimore, Md., says*

"Our employees also receive the liberal benefits BLUE SHIELD *provides!"*

Sponsored by doctors in their own local areas . . . Blue Shield Plans help people meet surgical-medical-maternity expense.

"To make our health-care program at Flight Refueling even more helpful to employees, we added Blue Shield in 1951.

"The cost has been very small—especially in relation to the help Blue Shield gives our people in meeting their doctor bills.

"Where surgery is required, Blue Shield is a godsend. Surgical services seldom come cheap. Often they run higher than the cost of the hospital care. Needless to say, Blue Shield enrollment here is 100%!"

Quick facts on Blue Shield:

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BY MY WAY

R. L. Duffus

Let's not abolish weather

We do a lot of complaining at this season, as well as at other seasons, about the temperature, humidity and other conditions. But I cannot sympathize with those who predict that our cities and towns will some day be air-conditioned outdoors as well as in. Maybe they mean that there won't be any outdoors. I want to have something to complain about. Good or bad, let us continue to have weather.

March 1 waits a day

What would otherwise have been March 1 will this year be Feb. 29. I know this because I divided 1956 by four and it came out even (489); also because somebody mentioned it, and because the calendar says so. The belief that in Leap Year each maiden, in the words of an old Scotch law, may "bespeke the man she likes" lingered on well into my boyhood.

I don't know whether any woman ever actually did so in modern times. In my own case, nobody asked me; I did ask and was married in February, but not on the twenty-ninth and not during a Leap Year. I am under the impression that throughout the ages ladies who wished to marry eligible males usually contrived to make their wishes known; and I imagine that if a maiden today forgot to put the question on Feb. 29, she wouldn't wait four years; she'd take the matter up on March 1. Of course the young man would think he made the suggestion himself, but that is another story.

Archaeologist at work

I am neat man, by fits and starts, and I have just been clearing my desk after a somewhat long non-neat interval. The things I found, down near the bottom of the pile, surprised even myself—and I am not easily surprised, at my age and with all my experience. I will not mention that unanswered letter of Aug. 11, 1954; it's been answered now, anyway; I couldn't go to the lunch for Senator Snidge on the following Wednesday, and I said so, right out—on or about Dec. 13, 1954. But I know now how explorers feel when they dig up the site of Troy or find a heretofore unransacked pyramid—they are surprised, too.

On getting up

I know a man who feels perfectly terrible when he first wakes up, even though he has had nothing stronger than a glass of skimmed milk before going to bed. After the first half hour, however, he revives, and by about 9:00 a. m. he could, as the old saying goes, lick a policeman. (He does not try to do this, though; it is illegal.) But he wonders about early birds and early worms. Does the early bird get the early worm be-

cause the early worm has a hangover? And what virtue is there in being early, anyhow? Some day I am going to try getting up at noon (for this is an autobiographical sketch) and see what happens—and who to. Or whom to.

Squirrels not so smart

A great many gray squirrels operate around our house in the winter. If I were a squirrel I should find myself a hole in a tree, fill the hole with nuts and curl up—or should I say squirrel up?—for the cold months. Our squirrels don't do this. Even in the middle of winter they seem to be getting ready for winter. That is, they always seem to be looking for nuts. They never find any, because in our immediate vicinity there aren't any.

The only way one of our squirrels

could get a nut would be to go down to the store and buy one; and this never occurs to them. Yet somehow they keep fat and healthy, and make a great show of being busy. I like to look at them, even when they are obviously wasting their time. But don't tell me a squirrel is smart or far-seeing. In those respects a squirrel is not a bit ahead of that other overrated creature, the ant.

The good ship Orange Juice

Orange juice is now being hauled, or is about to be, from Florida to New York in stainless steel tankers. However, I have had no answer to my offer to become a member of one of the crews on the understanding that I could sleep till 8:30 every morning and have my orange juice, plus coffee, buttered white bread toast, an egg fried on one side and bacon, in bed. I said I was the rugged type, too, but apparently the company heard different from somebody.

But where's the groom?

Society columns in newspapers print the pictures of engaged girls whenever they have space. They rarely print the picture of an engaged man. I am well aware of the excuse, which is, who cares? The man gets into print as the happy couple emerge from the church after the wedding but this is not because anybody wants to see him—it is because the photographers can't other-

wise get the bride. Yet there are heroes, plenty of them, in motion pictures and TV, in spite of the fact that they add little to the scenery. And isn't a man getting ready to support a little woman and family in these days, or any days, a hero?

The happy cymbalist

I admire violin players and French horn operators but I am afraid I shall never be either the one or the other. But I would like to be the man who stands at the back of the orchestra, waits, watches and maybe thinks his own thoughts, and then, at the psychological moment, goes bang with the cymbals. I should feel important at such times. I think I could learn in a lesson or two. Is there an orchestra conductor in the house?

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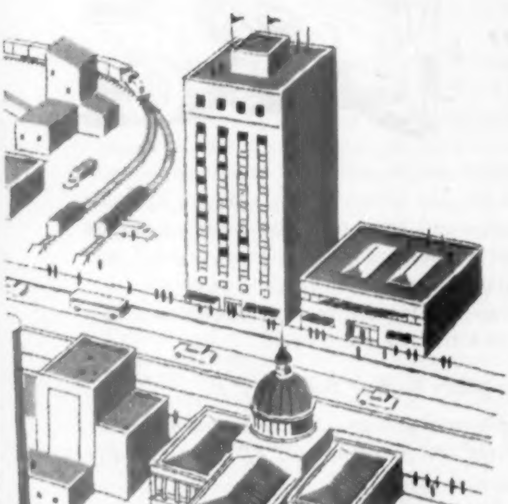

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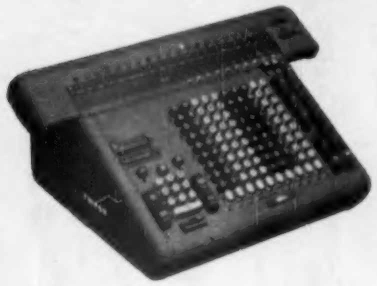

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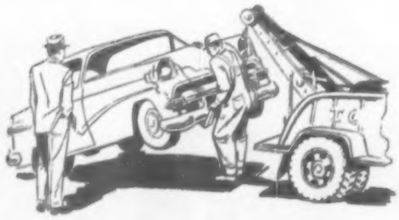

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"In a matter of minutes, one of the representatives from their New Orleans office was at my side taking over all the details and getting my car into a nearby garage.

"Oh, yes! About that $50 check!

"Well, I carry $50 deductible collision—and do you know—that garage owner wouldn't accept my check.

"You guessed it! My friend from Hardware Mutuals cashed my check—and then paid the cautious garage man the amount of the damages. In short order I was on my way again with minimum trouble or delay.

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Trends of Nation's Business:

State of the nation

By Felix Morley

GEORGE LOHR

Political unity conceals labor discord

THE TWO months that have elapsed since the so-called merger of the AFL and CIO have done much to clarify the nature of this new labor organization. It has become clear, in particular, that the word "merger," as applied to the marriage contracted by George Meany and Walter Reuther, is a misnomer. They have not merged their respective organizations; they have made a hyphenated alliance between them.

This is apparent, other evidence aside, from the constitution of the now combined AFL and CIO. That extremely verbose document throughout emphasizes the alleged merger. But the actual situation is revealed in an "implementation agreement" which is made a part of the constitution and cuts its glittering generalities down to size. The phraseology of this agreement is revealing. It says:

> *"The AFL-CIO shall be deemed, for all purposes, to be a combination and continuation of the American Federation of Labor and the Congress of Industrial Organizations. Neither of such organizations shall be deemed, for any purpose, to be dissolved, terminated or discontinued, but upon the effective date of the combination they shall be combined and continued as a single organization, the AFL-CIO, to be governed by the constitution of the AFL-CIO, which shall be an amendment to and substitute for the present separate constitutions of the AFL and the CIO."*

It is an absurdity to assert that an amendment to a constitution is the same as a substitute for a constitution. Scarcely less absurd is the pretense that a single organization is formed by combining others which are neither dissolved, terminated nor discontinued. One may be sure that there is trouble ahead for any union founded upon such obvious contradictions.

The difficulty traces to the fact that the AFL and the CIO are organizations of a fundamentally different character. The basis of organization in the former is the trade or craft; in the latter it is the industry. In both cases the general procedure of unionization may be much the same. But there is a profound difference between, say, a self-protective grouping of carpenters regardless of where they work, and a grouping of carpenters along with machinists, laborers and others on the basis of where they are all employed.

This difference between a professional interest and a locational interest is by no means confined to the world of organized labor. French mathematicians, for instance, have much in common with those in Germany, and for decades have been meeting together to discuss mathematical development. The same applies to doctors, yachtsmen, bird watchers or categories of any other human interest. But if France and Germany are at war, French and Germans as such will be called upon to fight each other, regardless of their occupational kinship.

But while this dual loyalty—to type of work and place of work—runs through every aspect of life it is a perhaps particularly acute problem for labor organizers in the United States. That is because effective labor organization in this country started on a *trade* union basis. A trade, says the dictionary, is "a particular means of livelihood." This particularism characterized not only the original benevolent associations of workingmen, but also the eventual federation of distinctive trade unions. Its advance from small beginnings will never be better described than in the autobiography of

State of the nation

Samuel Gompers—"Seventy Years of Life and Labor"—who did so much to build the AFL into what it is today.

The contrary theory of labor organization—by industry rather than by craft—came to this country from France and is still properly known by the French word "*syndicalism.*" It is no reflection on the theoretical merit of syndicalism to recall that its dynamic promoters, a century ago, were communistic followers of Karl Marx. Their goal was the elimination of private capitalism and the establishment of a proletarian dictatorship. This, they reasoned, could best be achieved by the general strike—the concerted withdrawal of all labor power to create a condition of utter confusion in which the revolutionary leadership could take over. For this objective, conservative trade unionism was not a help but a handicap.

• • •

The first serious attempt to establish industrial unionism in the United States was made by the Industrial Workers of the World—the notorious I.W.W. or Wobblies, who achieved so much publicity, not to say notoriety, shortly before World War I. The high water mark of the I.W.W. was the bitter Lawrence textile strike of early 1912, in which "Big Bill" Haywood sought with some success to promote the general strike idea.

A governmental crackdown, when the I.W.W. sought to oppose the war effort in 1917, had much to do with its collapse. But an even greater factor, probably, was the development of the One Big Union idea along constructive lines by the United Mine Workers. The coal mining industry lends itself naturally to industrial rather than craft unionism. But under statesmanlike leadership, first of John Mitchell and then of John L. Lewis, it turned syndicalist organization into conservative as opposed to communistic channels. The primary difference was the insistence of Mitchell and Lewis on the sanctity of contract, whereas the I.W.W. viewpoint was that any contract with management existed only to be broken at union convenience.

When the miners came to realize that their leadership could get contracts highly favorable to the rank and file, all hope of Wobbly raids in that important field of labor was at an end. But there is no doubt that this lurid if short-lived organization accomplished something toward undermining the strength of craft unionism. Its catchy, often ribald, songs have even become an accepted part of American folklore, such as: "Hallelujah! I'm A Bum!" and "A.F. of L. Sympathy," in which the striking trade unionist laments:

"But I got good and hungry
So no craft unions for me.
Gee, ain't it hell in the AFL,
All you get is sympathy!"

When the CIO was founded, on the basis of inclusive industrial unionism as opposed to exclusive trade or craft unionism, John L. Lewis seemed its natural president. Although many industrial unions had been launched, the UMW alone of this type had prospered and survived. But the real reason for this was the isolated character of the coal mining industry and the *esprit de corps*, springing from the hazards of the occupation, found among those who work in the bowels of the earth. There came a time when Mr. Lewis had to decide between loyalty to his miners and dissipation of effort among the heterogeneous and poorly consolidated units of the overgrown CIO.

When that decision became necessary, Mr. Lewis promptly took his mineworkers out of the CIO. They have stayed out, as they are also staying out of the present merger of AFL-CIO. In somewhat similar fashion the Railroad Brotherhoods, where the craft union philosophy is most strongly implanted, are also staying out of the One Big Union symbolized by the clasped hands of Mr. Meany and Mr. Reuther.

Of course the embrace of these photogenic and not too toil-worn hands could continue and grow firmer. But the forms of American labor organization have from the beginning been kaleidoscopic. The chances of disruption in the current outwardly imposing alliance are increased by the failure to confront the fundamental issue between craft and industrial unionism. The AFL and CIO leadership have ignored, not bridged, this historic cleavage.

• • •

The combination of the two great organizations is clearly slanted in the AFL interest, reflecting the greater stability, reputation and popularity of the older partner. But Mr. Reuther has saved something for the CIO by the incorporation, in the new setup, of his Industrial Union Department. This is now merely a department, defined in the Merger Agreement as "comparable to the existing departments of the American Federation of Labor." It is between this industrial department and the other craft departments that one should look for cracks in a facade which has been smoothly painted. Those cracks may be generally concealed until the first consolidated convention, which will not be held until the latter part of 1957.

There is one serious danger in this merger which still maintains the full identity of its constituent parts. To conceal the dissensions that are built into the top-heavy combination there must be an impressive external show of unity. This is all too likely to be demonstrated in the area of politics, with internal labor discord temporarily concealed by outwardly unanimous AFL-CIO demand for legislation deceptively definable as "in the interest of labor."

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Washington mood

By Edward T. Folliard

Congress finds voters cool to tax cut

IS IT POSSIBLE that good times have made Americans indifferent to a reduction in taxes?

The question is raised because of a surprising attitude that has been noted among members of Congress who are supposed to reflect the thinking of their constituents. The lawmakers just don't seem to be worked up about a tax cut.

Predictions were that when Congress came back to Capitol Hill last month members would try to outdo each other in agitating for an easing of the burden. The assumption seemed natural. Wasn't it an election year? And wasn't a tax cut supposed to be a sure-fire lure for the voters?

However, once the senators and representatives were back on the job, after mingling with the home folks for four months, observers noticed these two things:

First, the expected clamor for tax reduction did not come off.

Second, sentiment was strong for a reduction of the stupendous national debt, now standing at more than $280,000,000,000.

The dominant voices were not those of men calling for a tax cut but of those warning against a tax cut, at least until something is done about the debt. As might be expected, one of these voices belonged to Sen. Harry F. Byrd, Virginia's noted "Treasury watchdog."

"I shall oppose any reduction in taxes until the budget is balanced and reduction of our gigantic debt is started," Senator Byrd said. "After 25 years of deficit spending we should start paying off the debt we have contracted. . . . It is fiscal irresponsibility to borrow money and increase the federal debt to reduce taxes in a time of peak or near-peak prosperity."

Senator Byrd had plenty of company in his own party and among the Republicans.

Rep. Daniel A. Reed, venerable Republican of New York, who led the drive for tax reduction in 1954, said he thought that any Treasury surplus this year ought to be used in cutting down the debt, not taxes.

"I guess that is an unpopular point of view with many of my colleagues," said Mr. Reed, "but I'm thinking primarily of the good of the country. If the folks at home don't like it, they'll let me know."

It stands to reason that the folks at home—in New York, Ohio, California and in the other 45 states—would like a reduction in their federal taxes. But it is clear that they have brought no great pressure on their senators and representatives to vote for such a reduction. If they had, it would be evident on the Hill by now.

• • •

What is the explanation for this? One can only surmise in trying to get at the answer. Good times may be part of it. The chances are, too, that most Americans know by now that more than half of the national budget goes for our armed forces. Being deeply mistrustful of Russia, they want those forces to remain strong at any cost. Also, they certainly are aware of the immensity of the national debt. They know that sooner or later we are going to have to start reducing it. Finally, a good many of them realize that even if there should be a tax cut this year it wouldn't amount to much.

That would account in part for the absence of any loud agitation for tax reduction in Congress. There would be an added explanation in the case of the Republicans—they discovered in two notable instances that tax reduction does not always pay off at the polls.

From a political standpoint, the ideal goal this year would be a reduction of both taxes and the national debt. It is possible that such a goal may

Washington mood

be achieved. This depends on where the Treasury stands next spring and on the way income and outgo shape up for the next fiscal year.

President Eisenhower, in his State of the Union message, put reduction of the federal debt ahead of tax relief. However, he did not rule out the possibility that Americans can have both. He agreed that the present tax level is "very burdensome and . . . should be reduced when we prudently can."

But the Chief Executive also said that, in these prosperous times, we would not be justified in going further into debt to give ourselves a tax cut at the expense of our children. A tax cut, he went on, would be justified only when it will not unbalance the budget—a budget which would provide for at least a modest payment on the debt.

There was virtually no dissent from the President's argument, either from Republicans or Democrats.

It is a long time since Washington has heard any determined talk about debt reduction. Indeed, one must go back almost to the 1920's to find anything like the sentiment that now seems to be developing. In those days, after World War I, the national debt stood at $26,000,000,000. That seems a trivial sum compared to the debt today, but it was a worrisome matter to Secretary of the Treasury Andrew Mellon. He kept hacking away at it for a decade and finally reduced it by $8,000,000,000.

• • •

The attitude of George M. Humphrey, who now holds the Treasury post that Mr. Mellon filled for so long, is in sharp contrast to that of Senator Byrd and the other members of Congress who are crying out for debt reduction in 1956. Naturally, Mr. Humphrey goes along with the President in his recommendation for a modest payment on the debt. But he has made it clear repeatedly that he thinks the debt ought to be tackled later on.

Secretary Humphrey was most explicit in a news conference in Denver on Oct. 15, after he had called on President Eisenhower in the hospital there. He said:

"Now I am a great believer in paying your debts, but I also think that you have to take into account a good many other conditions as to when and how you do it. I personally think that our taxes are so high, and there is such a burden on our economic well being, that we ought not to have to pay down on our debt when our nation's necessity for military security is as great as it is today.

"There will come a time—I don't know when it will be—but there will come a time, as there has been in the past, when the expenses for security will not be as heavy as they are today, and when a substantial reduction in expenditures can be made. The time is going to come when there is going to be a much more solid peace in the world.

"When the time comes that we are able to make substantial reductions in our expenditures, then I am going to be in favor of paying down on our debt. We (will) slowly reduce taxes, more slowly than we do our expenditures, and use the difference to pay on the debt."

In saying that he didn't know when an easing of the international tension would come, Secretary Humphrey was reflecting the sentiment of just about everybody in official Washington. Our officials not only do not know, they offer no hope for any kind of understanding with Russia in the foreseeable future.

The situation, as viewed here, is just about what it was before the Russians started smiling at Geneva: not war, not peace. In the circumstances, the Pentagon expects that the budget for our armed forces will have to be continued at somewhere between $35- and $40,000,000,000 for years and years to come.

• • •

Getting back to the mood in Congress, it is possible, of course, that a tax-cutting fever may hit the members as campaign time draws near. There is every indication, however, that in the end President Eisenhower will be able to make his own conservative program prevail, with or without the use of his veto power.

Nothing in the atmosphere suggests that he will have to deal with a runaway Congress as President Truman did in the election year 1948.

Mr. Truman that year vetoed a big tax-reduction bill passed by the Republican-controlled Eightieth Congress.

Congress passed the tax bill over Mr. Truman's veto in overwhelming fashion.

Joe Martin and other veteran Republicans in Congress won't soon forget the sequel—how Mr. Truman, running for a full, four-year term in the White House, denounced the Eightieth Congress as a do-nothing, good-for-nothing Congress, singled out the tax-reduction bill to prove it, and went on to whip Thomas E. Dewey and win the election. His victory also carried the Democrats back into control of Congress.

Nor was that the only time that the Republicans discovered that a tax cut was not necessarily a guarantee of success at the polls. In 1954 they were able to boast that the Eisenhower Administration had reduced taxes by more than $7,000,000,000. It did them no good; they lost control of Congress.

If the Republicans now are dubious about the political value of tax reduction, one could hardly blame them. But the real explanation for their attitude and that of the Democrats would seem to lie in the fact that the rank and file of Americans are not putting the heat on them.

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Nation's Business · February 1956

WE DON'T NEED FEDERAL AID FOR SCHOOLS

Gov. William G. Stratton (left) and Illinois Superintendent of Public Instruction Vernon L. Nickell tell their state's approach and accomplishments in the field of education

A NATION'S BUSINESS INTERVIEW

Governor, do you believe that national school needs have been exaggerated?

GOV. STRATTON: I can speak only for Illinois. I think in view of what has been done in this state that there's absolutely no necessity for federal aid. It is possible that in other states a need exists. But it is my feeling, particularly about classrooms, that there have been ideal or wishful estimates. I think the original figures sent out from Washington two or three years ago were, from a practical standpoint, exaggerated.

DR. NICKELL: Here in Illinois, three estimates were made. One of the national estimates was that only 45 per cent of our needs could be met. One of the state organizations estimated at one time that we could meet 65 per cent of our needs. Later they raised it to 85 per cent.

There's really no need for federal funds to buy school buildings. We think we can handle it within the state.

Why do you think federal aid is such a controversial issue?

GOV. STRATTON: One of the reasons is a natural apprehension on the part of many citizens against federal control of the school systems. That same apprehension may exist in other fields, but it is particularly so, it seems to me, on the question of control of education. We've always had local control and local responsibility. When I say local I mean community responsibility.

Many people feel—as I do—that there is great danger, no matter how high-sounding the program may be made to appeal to the public, that our system would be damaged, perhaps beyond recovery, by having the federal government move into the field of edu-

"I see no need for . . . federal aid as far as this state's school problems are concerned. I think, to a great extent, that might well be applied to other states."

HERE ARE CHECKPOINTS IN THE OPERATION OF THE ILLINOIS EDUCATIONAL PROGRAM

- Each community studies its own needs . . . school building is handled at the local level
- Property tax levy reserved for counties, local communities. The State seeks constitutional revision to equalize and broaden tax base
- Business interest in educational standards stimulated . . . public interest in schools maintained
- Illinois School Problems Commission holds hearings every two years
- State equalization program assures that school spending per child will meet fixed minimum

cation. Some of the people who call on the federal government seem to think federal money doesn't cost anybody anything. We don't look at it that way. Whatever federal aid we could get would be only a drop in the bucket compared to what we are doing ourselves.

I think the question of federal aid has been stressed out of all proportion to the possibilities for accomplishment within the state.

Is Illinois meeting its public school needs?

Definitely, we are making great progress. Of course, we face two problems. One is to try to improve our present system. The other is meeting future needs.

How do you measure public school needs?

We have a School Problems Commission, created in 1947. It is composed of legislators who are familiar with educational problems, a number of qualified laymen appointed by the governor, and the Superintendent of Public Instruction.

Every two years the commission holds hearings all over the state where school people, boards of education, and others tell what their problems are.

In other words, we have had a White House Conference idea within this state for a good many years. Consequently, when President Eisenhower called the White House Conference on Education we already had most of the necessary information available and had been working along those lines for some years.

Is the school building program adequate?

We have an adequate building program in virtually all districts, with the exception of a few where there is very fast growth.

These are mainly suburban areas in Cook County just outside Chicago, and, to a lesser extent, one or two of our other large industrial areas, particularly Rockford and the Madison-St. Clair County area. Some of these have increased as much as 300 per cent in the past ten years.

These present a tremendous problem in building classrooms fast enough and at the same time obtaining a broad enough tax base to support the necessary schools. But that problem is localized, not state-wide. As these communities develop and level off in population, the problem will gradually be met.

In the rest of the state, our reorganization and centralization program has proceeded rapidly. In our consolidation program the number of school districts was reduced from 11,955 in 1945 to 2,242 today. We think that has been a basic factor in the progress that we are making in meeting school problems.

I might point out that it was estimated that the deficiencies I mentioned could have been met for only $4,500,000, which could have been provided by changing the bonding limits. So you see how relatively small the problem is compared to the $500,000,000 spent in Illinois for new schools since the end of World War II.

Relatively speaking, the problem is a major one for those few communities involved, of course, but as a part of the over-all program it is not large. Chicago alone is engaged in a $50,000,000 program backed up by a bond issue. So I think it's significant that only $4,500,000 would relieve these problems considerably.

There's really no need for federal funds to buy

ing the federal government move into the field of edu-

Facilities like this Evanston classroom are local responsibilities

Do you have any vacant classrooms?

Yes. In Chicago, as a result of the consolidation program, we have some abandoned classrooms. But in many cases those are facilities that aren't up to present standards. In some cases old schools are remodeled and used for other purposes.

Governor, you mentioned $500,000,000 spent since World War II. Was that building funds?

That's right. And every penny of it was raised locally. The state does provide some supplemental money for operating schools where need is shown—right now about $100,000,000 a year—but the state government spends nothing for public school construction.

We levy no state property taxes, no state income taxes. The sales tax is about the only general tax that we have in the state for state purposes. School building is handled at the local level, which we think is excellent. The communities are fully able to do that. They know where their money is going. They control it directly and, in the case of bond issues, they vote before any contracts are arranged. I think there has been a change in attitude about bond issues in recent years.

DR. NICKELL: One illustration of that is here in Springfield. About four years ago a bond issue for $6,000,000 was brought up. It was voted down about four to one. There had not been sufficient effort to inform the public as to actual needs.

Then a committee of about 3,000 local people was appointed to study their own school problems. They went from door to door. After two years the committee reported and a new election was called. It carried about three to one, which shows the people will support the schools they need when they understand fully what the needs are.

You don't consider it necessary for the state to provide building funds?

GOV. STRATTON: We feel that the localities will be able to build the schools they want. Communities are capable of doing it, they are doing it, and they're doing it even better in recent years.

We've had complete reorganization of the old district setup in Illinois. It has been modernized. Instead of thousands of little one-room schools with six, eight, or ten students at every crossroads, we now have big county schools, or big district schools, with youngsters being brought in by bus.

Are the taxpayers getting their money's worth in school construction?

There has been great progress in holding down construction costs. At the same time schools are designed better.

What does a classroom cost?

We estimate $15,000. That's about the national average. Cost varies $2,000 to $4,000 between the northern and the southern part of the state, due to lower winter temperatures in the north.

In some areas costs have been cut drastically by better planning and standardized designs.

What is the average salary for teachers?

About $3,800 in elementary schools, a little higher in high school. *(Continued on page 80)*

what employes want in an executive

OFFICE employes like a supervisor with character.

He must demonstrate in their eyes that he has managerial skill and real human qualities. He can't take the chance of letting his people think he is unjust in any particular—not if he wants to keep his employes happy and disinclined to answer the want ads, at any rate.

Male supervisors are preferred

Beyond his personal characteristics, the good employer will see to it that his salary policies are completely defensible. He will keep the people under him well informed about what's happening.

He'll make a large point of recognizing good work one way or another—even by so small a token as a pat on the back.

Those are some of the conclusions that have just developed from a nationwide survey made by the National Office Management Association. About 20,000 forms were distributed on a cross-section basis to office supervisors of member companies. They were asked to hand them to their employes with instruction to mail them back directly (and anonymously) to NOMA headquarters in a postage-free enclosure.

The men and women who were asked to reply are representative of middle and larger business. Employes who filled out questionnaires included clerical and stenographic help, office machine operators, typists, telephone operators, filing clerks and others customarily found in middle-sized and larger offices.

These employes sent in nearly 7,000 responses to the questionnaire, enough to satisfy the poll-takers that their study was statistically dependable.

The replies, only now tabulated, have a surpassing importance today, in a time when help is so hard to get and to keep.

What makes a good supervisor? The questionnaire listed no fewer than 16 qualities, but the answers listed the talent of "managerial skill" as first in virtually every category. It was the key selection of 507 of the 2,218 male responses and 669 of the 4,238 female responses. Men in all age classifications ranked it first, and so did all women except those over 40. That latter group put managerial skill third in its ranking, with "intelligence" first and "fairness" second.

There was less uniformity among second, third and fourth places, but the identical four most wanted characteristics kept cropping up throughout those leading rankings, as the breakdown by classifications shows:

	First	Second	Third	Fourth
All replies	Managerial Skill	Fairness	Intelligence	Common Sense
All males	Managerial Skill	Common Sense	Fairness	Intelligence
All females	Managerial Skill	Intelligence	Fairness	Common Sense
Males under 40	Managerial Skill	Common Sense	Intelligence	Fairness
Males over 40	Managerial Skill	Common Sense	Fairness	Intelligence
Females under 40	Managerial Skill	Fairness	Intelligence	Common Sense
Females over 40	Intelligence	Fairness	Managerial Skill	Common Sense

Other classifications were mentioned notably fewer times. The fifth, sixth and seventh choices among all men were, respectively, experience, attitude, and understanding. Among women those rankings were occupied by understanding, attitude and appearance.

The wise-cracking supervisor evidently cuts a small swath among his subordinates. Only eight men listed

Swearing doesn't seem to matter

a sense of humor, and only 71 of the women mentioned it as desirable; in both cases this was the second lowest showing. Bottom places, however, were reserved for another characteristic which some might have expected to do better—energy. Only one man and three women listed it as a top-desired characteristic.

In the middleground were a variety of other traits. In order they were: cooperation, personality, courtesy, loyalty, patience and education.

As for the most undesirable characteristics in an executive, there was again a rather good degree of uniformity among those named the most. Injustice was the leading unwanted trait, and there was considerable mention of superior attitude, untruthfulness, and putting things off. The tabulation of irritations follows:

	First	Second	Third	Fourth
All replies	Injustice	Superior Attitude	Put things off	Untruthfulness
All males	Injustice	Untruthfulness	Superior Attitude	Know-it-all
All females	Injustice	Superior Attitude	Put things off	Grouchiness
Males under 40	Superior Attitude	Injustice	Untruthfulness	Know-it-all
Males over 40	Injustice	Untruthfulness	Superior Attitude	Know-it-all
Females under 40	Superior Attitude	Injustice	Put things off	Grouchiness
Females over 40	Injustice	Superior Attitude	Untruthfulness	Put things off

In almost perfect correlation with the lack of emphasis on energy as a desirable characteristic was the ranking of laziness as one of the least irritating qualities in a chief. It was tied with "swearing" for last place among the men (with 29 mentions) and was next to last among the women (with 59 mentions). Last place among the women was occupied by stubbornness.

In the middleground, well removed from the six characteristics disliked the most in the breakdown of the respondents, were listed (in this order) undependability, prejudice, narrow-mindedness, annoying mannerisms, poor management, swearing, and temper.

One conclusion that might be drawn from the general tone of the replies dealing with supervisor characteristics was that people of integrity are the kind that employes prefer to work for. Both the favorable and unfavorable characteristics can largely be defined in that frame of reference.

Certainly managerial skill is a generic kind of characteristic which would embrace high character; and injustice, the most disliked characteristic, would equally indicate a lack of character.

Best manager gives credit

Nobody likes a superior attitude

So, too, with the other most desirable virtues—fairness, common sense, intelligence, attitude, understanding and the like.

This would hold equally true on the minus side of the ledger, with such disliked attributes near the head of the listings as a superior attitude, untruthfulness, putting things off, and others.

However, the replies indicate that more than character is sought in a supervisor. Sex is important, too. Male supervisors were largely preferred, and by men and women alike among the respondents.

The margin among men with a preference was 1,787 to 7 in favor of males; the margin among women was 2,524 to 80. Another 2,013 (406 men and 1,607 women) said they had no preference.

What determined this general feeling in favor of men? The explanations that accompanied a number of replies were illuminating.

A man, the general feeling ran, was less emotional and more rational to deal with, more likely to be sound in his reasoning. His feet, that is, were more likely to be solidly planted on the ground—and perhaps this is another aspect of managerial skill which was so generally desired.

Beyond that, men prefer to work for other men rather

Procrastinator frustrates the help

Watch that age difference

CHECKLIST TEST FOR A GOOD EXECUTIVE

How good an executive are you? Answer the questions below, and see on page 68 whether your answers jibe with the survey findings.

1. Do you keep your people informed about what's going on in the office?
2. Do you feel you must set an example with a display of energy?
3. Are you careful to recognize good work—especially among older employes?
4. Do you think an executive needs to be educated?
5. Are you intent on seeing that justice is done everyone in your charge?
6. Are you careful not to swear in front of subordinate clerks?
7. Do most workers prefer male supervisors in charge of office operations and subsections?
8. Is a display of temper bad in front of your employes?
9. Do you try to see to it that supervisors are near the age brackets of the people under them?
10. Is a sense of humor necessary in dealing with your people?
11. Do you encourage a first name basis among the men in the office?

Injustice is hardest to bear

than women. "I'm a man" was frequently written under "reason."

At least one girl expressed a reason that others may have felt but not mentioned. "Easier to get around and along with male supervisors," she noted.

All had somé rather well defined ideas as to the age relationship of the supervisor and his subordinates. In general, the leaning was toward a supervisor comparatively close to the age bracket of the people working under him, and the most favored age for a supervisor (mentioned as first or second choice in every classification) was from 40 to 49.

But a subordinate question in this area indicated that most office employes did not attach too much importance to the age of the supervisor. In only three classes—males below 20 and above 50, and females below 20—was the supervisor age factor considered important.

How informal should be the relationship between employes and supervisor? That question was amply answered in the survey. Male respondents in all age brackets preferred a first name basis by everyone. Women in age brackets up to 30 preferred first names "by supervisor to subordinate"; those between 40 and 59 chose "by subordinates to their immediate supervisors" as their preference; and only a bare majority of those 60 or older preferred no use of first names whatsoever.

Another question in this respect was intended to bring out only general prevailing practice rather than preference. It dealt with the amount of personal consultation customarily held between supervisors and employes.

The finding was that such consultations are not a general practice for all the offices surveyed, and that there was no uniformity in any respect. Of 1,549 men in the less-than-40 age bracket, 405 reported talks on a regular basis every six months, 351 reported no talks at all, and 267 had talks once a year. The order of ranking for men over 40 was "never" (209), every six months (111), then "other" (109)—the latter generally being "whenever necessary," according to the explanations posted with the answers.

For women there was a rough degree of correlation on a percentage basis. Of 3,195 females under 40, "never" was listed by 1,037, then "other" (by 665) then "once every six months" (by 621). For 1,043 over 40, the same relative rankings were created by responses, respectively, of 421, 206 and 136.

There are other elements of preference or distaste in a job, however, beyond the personality of the supervisor and his techniques for good or bad relations. The physical aspects of an office can play a part in the jobholder's mind as to whether he likes or dislikes his post. An important part of the questionnaire dealt with this side of the job.

What was the most frequent office complaint? Among all the answers, the most frequently listed was "no recognition of good work." This held first place among the men respondents, though it was second among the women.

Close behind was "salary relationships and policies," which was the greatest complaint of women, though it rated third among the men—an interesting aspect, particularly because a higher proportion of the males than females characterized themselves as breadwinners for the family. Perhaps, because so many of the women said they did not intend to work all their lives, they looked on immediate return with more interest than the men.

Lack of office information was the third general complaint. *(Continued on page 68)*

Here's how 12 men control Congress

Acquaintance with the philosophy of the House Committee on Rules will help you to estimate how the major bills will fare in this session of Congress

TWELVE men will control what Congress does this year. They are the members of the Rules Committee of the House of Representatives.

Some congressmen call the House Committee on Rules a legislative traffic cop, essential to the smooth flow of business. Others see it as a high-handed dictator, frustrating the will of a majority of House members. All agree, however, that its 12 members collectively wield power unsurpassed in either House or Senate.

In this session of Congress, as in all sessions for many years, the Rules Committee will have more to say about the final legislative output than any other group on Capitol Hill. Almost all major bills require the committee's approval before they can come up for a House vote. The committee can bottle up legislation which has been approved overwhelmingly by a regular legislative committee of the House or even resoundingly passed by the Senate. It can dictate changes in a piece of legislation before the House can consider it and it can strictly limit the extent to which other members can propose changes on the House floor.

In addition, it can sponsor changes in the House rules, pass on whether other committees should be given subpoena power or authority to travel outside the United States, and decide whether new investigating committees should be set up.

These broad powers mean, in brief, that the committee will profoundly influence the outcome of the legislative programs proposed for 1956 by President Eisenhower on the one hand and Democratic congressional leaders on the other.

The imprint it will leave on these programs will be, as it has been for the past two decades, highly conservative. While many of the must items the White House sends to the Capitol will clear through the committee with little trouble, others face rough going as they come up against the conservative philosophy of those who dominate the committee.

Here are some of the specific problems the committee presents to the Eisenhower Administration:

Any proposal to broaden wage-hour law coverage will almost certainly be effectively sidetracked in the committee.

Proposals for stepped-up federal spending on hospital construction and similar programs are sure to receive a close and critical going over by Rules members.

The Organization for Trade Cooperation, a key administration recommendation for the coming year in the field of foreign economic policy, will have a difficult time winning the committee's okay.

If another effort is made to put through Alaska and Hawaii statehood, the Rules Committee can be counted on again to do its best—which is very good indeed—to kill the project.

The Administration's health reinsurance bill will be in trouble if it ever reaches the committee, and public housing is virtually guaranteed another battering at committee hands.

As might be expected, in view of its broad powers, the Rules Committee is under almost constant attack. Critics argue that no congressional committee should be able to veto the actions of other committees or deny House members freedom to debate and change bills on the House floor. But on only one or two occasions have these attacks resulted in action curbing the committee's powers—and then the curbs were temporary.

The oldest as well as the most powerful unit of Congress, the Rules Committee was set up in 1789, soon after Congress first met, to prepare rules for the operation of the House. For many years that was its sole job. Then, starting in the 1880's, it began to build up to its present role of clearing legislation and setting time limits and other restrictions on House consideration of individual bills.

Its present power evolved naturally from the fact that the regular legislative committees of the House

12 men *continued*

Howard W. Smith became Rules chairman year ago

approve hundreds of bills each year. Obviously, chaos would result if these were taken up on a first-come-first-served or survival-of-the-fittest basis or if each of the 435 House members had unlimited rights to discuss or try to change each bill.

Various procedures have been set up for House action on bills approved by legislative committees. Completely noncontroversial bills can be placed on special calendars and on certain days each month they are whipped through by unanimous approval with practically no debate. Some bills with just minor opposition frequently are taken up by arrangement with the House leadership on certain days when bills can be passed with a minimum of debate but with the two-thirds vote required.

For any measure that is important or controversial, however, the normal procedure is to get a rule from the Rules Committee. The rule states the length of time allowed for debate on the bill and often restricts the number or kinds of amendments or substitutes that can be offered. Approval of the rule by the House —which is almost always automatic—makes it proper for the House to consider a bill without a unanimous or a two-thirds vote being required for passage; a simple majority does the trick.

This authority to clear legislation for floor action by granting rules is the source of the committee's great influence over the nation's laws. Although there are several ways to bypass the Rules Committee on controversial legislation, they are difficult to employ successfully and, in fact, have rarely been used.

In theory, the Rules Committee is the arm of the House majority leadership—that is, the leadership of the party in control, which means the Speaker. Its task is clearing legislation in such a way that the leadership's program is put through as expeditiously as possible. It's also supposed to sidetrack bills that the majority leaders oppose or that might embarrass those leaders if they came up on the floor.

For a long time, the committee consisted of only three members, headed by the Speaker. But the 1910 revolt against Speaker Joe Cannon forced the Speaker off the committee and enlarged its membership. The committee continued to be the arm of the Speaker, however, until the late 1930's, when a coalition of Republicans and southern Democratic committee members began blocking important parts of the New Deal legislative program. This coalition, which continues to the present day, accounts for the committee's highly conservative point of view.

The development of the committee's conservative personality has brought repeated bitter attacks in recent years on its membership and powers. One of these was successful—temporarily. In January, 1949, after President Truman's 1948 victory brought many new Democratic members to the House, a bipartisan liberal bloc, led by Democratic Rep. Herman P. Eber-

PHOTOS BY FRED J. MAROON

Rep. Smith *(Dem. Va.) is lawyer, banker, farmer; on committee 24 years*

Rep. William M. Colmer *(Dem. Miss.) is serving 24th year in the House*

Rep. Richard Bolling, *a Missouri Democrat, is a teacher, 39 years old*

Rep. Thomas P. O'Neill, Jr. *(Dem. Mass.), 43, is an insurance broker*

harter of Pennsylvania, wrote into the House rules a new, easy way to bypass the committee.

Under this so-called 21-day rule, a chairman of a legislative committee could call up directly on the House floor any bill reported out by his committee but bottled up by the rules group for 21 or more days. This bypassing procedure was actually used repeatedly during the Eighty-first Congress to thwart the Rules Committee. Equally important, the threat of its use induced Rules Committee members to clear many bills that otherwise might have been pigeonholed.

The revolt was short-lived, however. In 1951, most House Republicans and southern Democrats teamed to change the rules back to the old pattern. During that Congress, the Eighty-second, the committee again blocked some of President Truman's pet Fair Deal legislation. During the Eighty-third Congress, it pretty well went along with the Republican leadership and the new Eisenhower Administration. When the Democrats regained Congress in 1954, Speaker Rayburn decided it was time to make sure that the committee would be more responsive to the majority leadership than it had been in previous Democratic Congresses.

Mr. Rayburn decided that, instead of trying to change the rules, he'd change the committee's makeup as much as he could. Although its members are technically selected by party caucuses at the beginning of each Congress, actually they are hand-picked by the party leadership. Once a man is on the committee he stays there in succeeding Congresses unless he loses his House seat or his party loses control of the House and the number of places it has on the committee is whittled down. Thus, actually, the leadership's control over the membership is limited to the filling of vacancies.

At the beginning of 1955, Mr. Rayburn was faced by the fact that Rep. Howard W. Smith, a conservative Virginian, would be chairman of the committee and that another conservative southerner, Rep. William M. Colmer of Mississippi, would also be on the Democratic side.

Since the four Republican holdovers on the committee were also conservative, the conservative bloc was certain of six of the 12 votes.

Mr. Rayburn knew, therefore, that he couldn't stack the committee to outvote this bloc—it takes a seven-man vote to get committee action—but he decided to make sure that the other Democratic members would be loyal to him and at least neutralize the coalition's power.

Thanks to some liberal Democratic holdovers, he was able to follow that strategy and it has been partly successful. The coalition bloc hasn't been able in this Congress to frustrate the leadership as often as in previous Democratic Congresses, although it manages to work its will in many instances. As things now stand, neither side has a majority on the committee, so issues must be worked out by *(Continued on page 102)*

Rep. Ray J. Madden *(Dem. Ind.), 64, has been on committee since 1949*

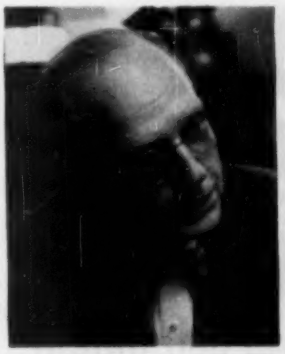
Rep. James J. Delaney, *lawyer, is a Democrat from New York. He is 55*

Rep. James W. Trimble *(Dem. Ark.), lawyer, entered Congress in '45*

Rep. Homer Thornberry *(Dem. Tex.), is lawyer, on Rules since last year*

Rep. Leo E. Allen, *ranking Republican, is from Ill., on Rules since '33*

Rep. Clarence J. Brown, *a newspaper publisher, is an Ohio Republican*

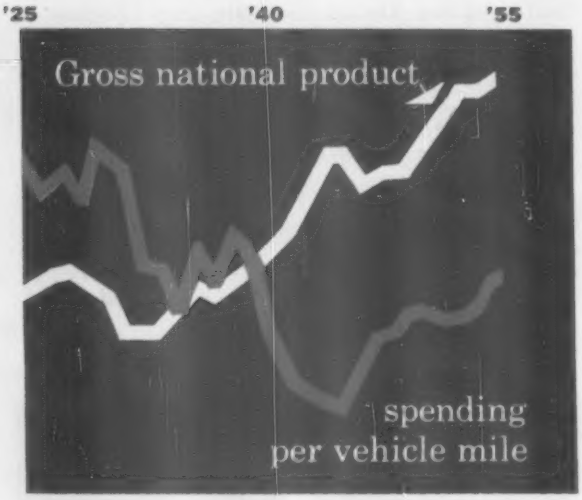


Rep. Harris Ellsworth, *newspaper editor, is a Republican from Oregon*

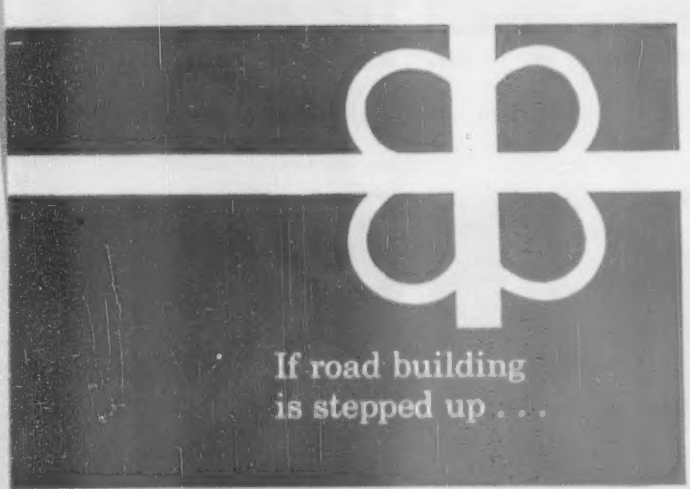
Rep. Henry J. Latham, *(Rep. N.Y.) is a lawyer, on committee since 1951*

TRAFFIC JAM COSTS $25,000,000,000

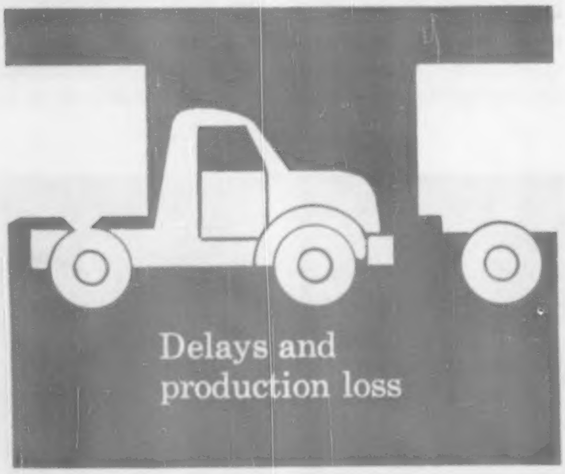
The jam we're in



Highway construction spending has lagged

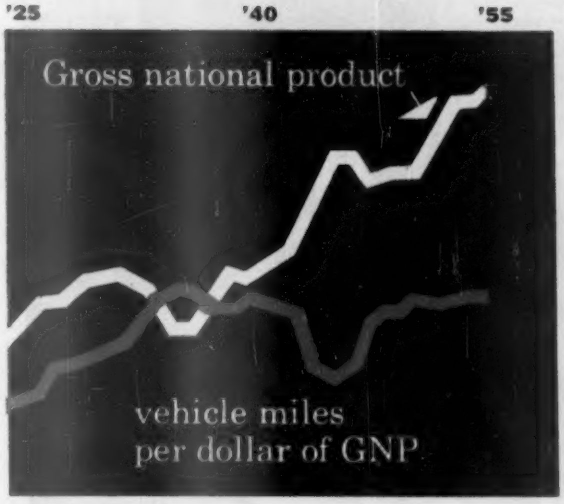


we could travel 900 billion vehicle miles in 1963

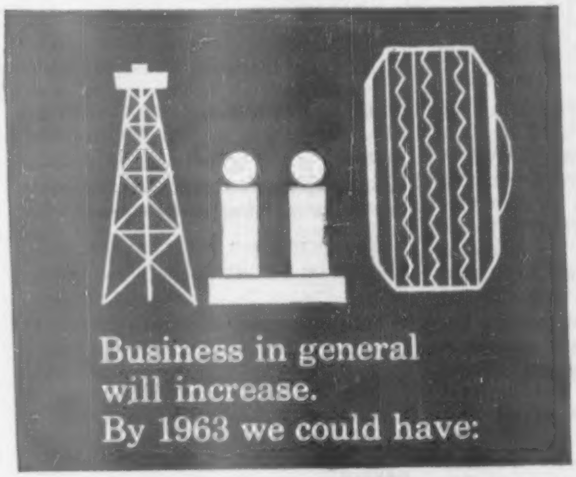


. . . will be eliminated

Adequate highways would have raised today's production and efficiency to levels we may not reach until 1963



Travel hasn't matched growth of economy



8 million car and $20 billion auto, tire and gas market

GOOD ROADS mean greater efficiency, increased productivity, higher per capita income.

If this country had maintained an adequate highway system, traffic might be 50 per cent greater than it is, and gross national product more than $25,000,000,000 higher. If we get such a system soon, gross national product can reach $550,000,000,000 by 1965. It may top a trillion dollars by 1985.

In addition, adequate highways mean fewer accidents. They improve our dispositions—thereby cutting accident rates even further; give us more time at home mornings and afternoons. They make weekend and vacation trips more attractive.

Reasonable expenditures for an adequate road system are demonstrably a good investment.

Let's look at the story.

From 1921 to 1930 highway expenditures, in 1955 dollars, averaged about $1,800,000,000 a year. This was about $91 per vehicle on the road—an average of 19,800,000. Total travel per year averaged about 131,000,000,000 vehicle miles, so expenditures for roads came to about 1.4 cents per mile.

This outlay was so handled as to match the increase in the number of vehicles. Expenditures were about $114 per vehicle in 1921 and $112 in 1930.

General business as well as traffic prospered during the '20's. Business grew about four per cent per year during that decade. But, traffic grew about 16 per cent per year—four times as fast.

One of the reasons business grew was the fact that traffic could grow. Working people could live farther from their jobs. Factories could bring raw materials from greater distances. Faster distribution widened markets for finished products. Adequate roads made it possible for more and more cars to use the highways and for each vehicle to drive more and more miles. The number of vehicles grew by more than 150 per cent, travel by 275 per cent and travel per vehicle by about 50 per cent during the decade.

This growth in traffic supported a growth of more than 100 per cent in the production of autos and trucks. Employment in distributing and servicing autos increased. Production and sale of gasoline quadrupled. By 1929, more than eight cents of every dollar spent by individuals went for transportation over our expanding highway system, and business was relying heavily upon trucks.

The depression which hit us at the end of 1929 caused a sharp cut in outlays for highways. This cut did not come because of a drop in highway traffic. Use of roads increased four per cent in 1930, and another five per cent in 1931. Personal and business use of highways increased even though business as a whole declined. Highway expenditures were cut because general business was declining. The result was a shortage of capacity and increased crowding on highways.

A study by the Bureau of Public Roads shows how the value of highways depreciated year by year. When this is related to the volume of traffic, it gives a rough index of crowding.

The study shows crowding being reduced until 1933. Then highway building was curtailed. Outlays on roads, which had been about $3,000,000,000 (in 1955 dollars) in 1930, dropped to $1,650,000,000 by 1935. By 1936 there was nearly five per cent more traffic per unit of highway capacity than there had been in 1933. The growth of traffic in relation to business stopped with an abruptness that would be hard to match in the history of our economy.

By 1955 our highway expenditures in terms of traffic had returned only to the 1935 level and to less than 60 per cent of the average for the 1920's. Despite the fact that, in 1955 dollars, *(Continued on page 100)*

DON'T

make these tax mistakes

LOHR STUDIOS

Internal Revenue Service Commissioner Russell C. Harrington explains in this Nation's Business interview how IRS checks your tax return and what you should do to avoid errors in it

MR. HARRINGTON, what can the individual taxpayer do to insure filling out his return correctly?

The best advice I can give any taxpayer is to use care. If he will read the instructions, follow the directions on the return, keep proper documents and records and fill out the return line by line he will file a correct return. It isn't complicated. A high school kid should be able to fill out the average return if he knows arithmetic.

What is the Internal Revenue Service doing to help taxpayers file 1956 returns properly and on time?

We are doing substantially what has been done in the past. The report that no returns would be prepared for anybody unless he was illiterate, non-English speaking, or in some other way incapacitated arose from a misunderstanding. In designating Mondays and Fridays as Taxpayer Assistance Days in many of our offices, we are trying to serve the taxpayers as economically as we can. On those days we will have a full staff in our offices to help taxpayers. On other days anyone who wants help will get it but he may have to wait for service because we will have fewer people in the office. Many collection officers and agents will be at their normal duties of collecting taxes and examining returns.

This is not entirely new. We tried it last year in two or three areas. We asked the taxpayers to do as much of the work as they possibly could. It worked pretty well. All we did this year was to say that we're going to try it on a national basis. We are trying to educate the people that, by doing as much of the work as they can, they are saving their own money.

What common mistakes do taxpayers make in filling out returns?

Four errors are most common and all can be eliminated easily. They are:

- Failure to print or write legibly.
- Forgetting to sign.
- Not reporting all income.
- Mistakes in arithmetic.

Are you speaking of small taxpayers?

Yes—and many of them can't afford it. Three out of ten taxpayers who make major arithmetic errors pay too much tax. This is so important I want to spend some time on it.

Let's take arithmetic errors first.

Including selection of the wrong tax from the tax table, these occur with some frequency—probably as a result of last-minute hurry. Both taxpayers and government would benefit if the taxpayer took more time to double check his arithmetic.

Income often unreported comes from many sources. Interest income is frequently underreported. Taxpayers with time deposits overlook the bank credits to their account. Others forget that some of the money received when they cash "E" bonds is interest income if the bond has reached interest-bearing life.

There are some frequent dependency errors, too. For one, working wives. Some working wives who earn less than $600 file separate returns to get a refund on their withholding tax. This separate filing actually costs the couple money because the husband cannot claim the wife's exemption. These couples should file joint returns.

What about dependents?

Dependent relatives other than children are a major source of error. Taxpayers claiming exemptions for close relatives should read the instructions carefully. Our studies show that, in the past, one taxpayer out of five who claimed such relatives has been wrong. The biggest source of error is the inability to show that the taxpayer has contributed an adequate amount to the dependent's support.

The double claiming of exemptions for children of divorced or legally separated parents is another frequent error. Only one parent is entitled to claim the child's exemption and that is the one who contributed more than one half of the child's total support. Part of the confusion arises because some divorce or separation decrees do not state that a portion of the alimony or separate maintenance is for the support of the children. In these cases the father cannot claim exemptions of the children. He can, however, list the total of the alimony or separate maintenance payments during the years as itemized deductions—provided, of course, it is to his advantage to itemize his deductions.

Itemized deductions cause errors of two broad types: First, taxpayers do not read the instructions carefully and consequently either do not recognize the limitations or fail to claim deductions to which they are entitled.

Second is the general problem of inadequate records. Taxpayers frequently claim itemized deductions substantially exceeding the amounts to which they can reasonably show themselves entitled.

How important is record keeping to the taxpayers?

This is most important. The smart taxpayer started on the first day of this year to accumulate records of medical, dental and other expenses, contributions and the like. It's not hard to keep simple, but adequate records. These records are indispensable when a taxpayer starts to itemize his deductions.

What kind of mistakes do businessmen make in their tax returns?

The businessman normally does not make the kind of mistakes we have been talking about. In the first place, many businessmen have competent accountants, tax lawyers, or both. Their "errors," and I put that word in quotes, arise from differences in interpretations of the tax laws and regulations that apply to their particular field of operations.

Let me add quickly that these differences often prove to be just varying interpretations. Thanks to our system of appeals both within the Service and in the courts they often are resolved by mutual agreement.

How important is early filing?

It is important both to us and the taxpayer. It would be a tremendous help if the returns could be spread over the next two months and a half rather than having them all dumped in on April 15.

For taxpayers, it would mean quicker payment for those who have refunds coming—and less likelihood of making errors for everybody.

Is the failure of taxpayers to leave a forwarding address much of a problem?

This is something of a problem. It is a two-way street, however. It causes us trouble especially where we are trying to locate a taxpayer who owes us tax. Also the taxpayer doesn't get the refund check to which he may be entitled as expeditiously as he otherwise would. Sometimes we cannot locate the taxpayer and his refund check goes into our "lost taxpayer" account.

How much in unclaimed refunds is now gathering dust in the lost taxpayer's drawer?

We still want to get rid of more than 1,000,000 unclaimed refund checks amounting to $34,000,000.

How about the so-called conscience fund? How much do you collect each year from anonymous returns?

I'm told that in fiscal 1955 the Treasury's conscience fund was enriched by $63,419. There is no way of telling how much of that was unpaid taxes. We know, however, that we here in Revenue had $9,849 sent directly to us. One hundred twelve contributions were in currency, five were money orders, and three were checks.

How many people file returns which err in their own favor?

Almost nine out of ten erroneous returns filed favor the taxpayer. The discovery and correction of these errors usually result in additional taxes, interest and penalties.

How many refunds do you make each year?

Last year there were about 31,000,000 refunds because of overpayment of individual income tax totaling approximately $2,700,000,000.

Do you anticipate an unusual number of complications this year?

No. We feel that many of the complications encountered in 1954 as a result of the new enactment of the Revenue Code have been resolved and some improvement will come through simplification of our forms and instructions.

Have there been any changes in the tax laws which might cause confusion?

From the point of view of the average taxpayer, there have been no significant changes in the tax laws in the past year. We are aware, though, that in this filing period many self-employed persons will be meeting the new provisions relative to declarations of estimated tax and extended coverage of social security for the first time. Naturally these provisions will cause a certain amount of uncertainty but we feel this will be minimized through our forms and instructions and the publicity given to these provisions by the Internal Revenue Service and the Social Security Administration, as well as through the assistance our local offices will give to taxpayers.

How many returns do you expect this year?

Last year there were approximately 58,000,000 individual and 830,000 corporate returns. We expect approximately the same or even slightly more this year.

There would seem to be a discrepancy between the figure 58,000,000 and the number of Americans employed, about 65,000,000?

Well, in some instances workers are not required to file returns—people who make less than $600, for in-

(Continued on page 97)

GERMANY: wide open market

American subsidiaries, now doing a booming business there, are hurrying to make new deals with German firms. A Nation's Business reporter in Bonn tells why

BONN, GERMANY—Cherubic-faced, but serious and concentrated as Germans can be when speaking of business, Dr. Ludwig Erhard, the economic czar of West Germany, said:

"I leave business a free hand. I don't want business to feel that the government will interfere with any of its negotiations. . . . We would welcome competition of American firms in Germany. American firms would bring the right spirit into the German economy. We want to import competitors to fit into and improve the world economy."

The German Minister of Economics, talking in his office in this West German capital, was stating a policy of classical laissez faire which has already worked an industrial miracle. With a third of Germany gone to the Russians, the West Germans in 1955 equaled the industrial production of the Germany of 1936.

Germany's economic miracle has already brought great benefits both for West Germany and for the American firms which have brought $490,000,000 in capital to German industry—and are now scrambling to spend another $200,000,000 for expansion. Three quarters of this American capital is involved in motors and related industries.

In a sympathetic atmosphere of free enterprise (including easier corporate taxes than in the United States) American subsidiaries have been doing a booming business here; and many more companies are hurrying to set up new subsidiary deals with German firms.

In addition, both German and American companies have made profitable arrangements to exploit each other's technological inventions. Probably more industrially skilled than any other country except the U. S., the new Germany already contributes profitable know-how to American firms, through patent-leasing arrangements. German companies in turn are making big profits in the booming European market by manufacturing American products on license. Most other nations in the world market need American know-how to improve their products and efficiency. With Germany, know-how flows both ways.

American capital and technological skill have brought spectacular results in such German fields as autos and trucks, electrical machinery, soft drinks, plastics, glass manufacture, steel, aircraft, business machines, tractors, radio and television equipment, sewing machines, chemicals.

In the other direction, Germany has exported her skills to the U. S. in certain types of plastics, tool and dye making, industrial machinery and the manufacture of items like electric razors, business machines, autos, trucks and cameras. Germans and Americans are working together to exploit European markets and planning expansion in South American and Asiatic spheres.

Among the most promising fields for American capital, according to businessmen consulted on the spot, are hard plastics, especially industrial pipe; packaging, in the American sense of preparing a package which will sell the product; hotels, to fill Germany's still desperate need for housing and tourist accommodations; airplane frames and engines, now that Germany is sovereign and is allowed to resume plane production; and, of course, automobile supply trades which can hitch their wagon to the accelerating business of the Teutonic truck and car manufacturers.

A nation of immense industrial skill and energy, Germany is a good repository of productive capital because the labor is also low priced.

"There is no job too technical for German labor," said an expert, Harold Swenson, vice president of the First National City Bank of New York in Frankfurt

German, American know-how and capital have teamed up to make Germany second biggest car exporter. Bernard Gunther, right, shows Ford assembly line to an aide

'Leave business a free hand. . . .' Speaker is German Economic Minister Dr. Ludwig Erhard as he is interviewed in Bonn by Nation's Business reporter Richard Tregaskis

American-made Owens and Hartford machinery makes Gerresheimer glassworks largest European bottle factory. Above, technician Heinrich Kullmar supervises inspection

Esso has spent $40,000,000 to restore its bombed-out Hamburg refinery, plans new $50,000,000 refinery. Here, American Al Koehler and German G. Herzog study plans

and his judgment is substantiated by the fact that German high school students ordinarily pursue their mathematical studies through spherical geometry and differential calculus.

In the auto and truck fields, the German product has zoomed to second place in Europe and is steadily overtaking the leading car exporter, Great Britain.

In 1953, West Germany passed France to become the third greatest exporter of motor cars, behind Britain and the U. S. In 1954, Germany made 231,000 cars for export, compared with only 207,000 for the U. S., and became second to Britain. That year Britain exported 366,000. For 1955, Germany's estimated 382,500 cars for export are close to Britain's 400,000. In 1956, because of great plant expansion and productive energy, Germany may become number one exporter of autos.

In her climb in the motor business, Germany is riding on a blend of German and American skill and capital. The biggest car producers, the Ford AG (Corporation or Aktiengesellschaften) of Cologne, the Opel AG (General Motors) of Russelsheim, and the Volkswagen Werke of Wolfsburg all have strong American roots.

Following the trail blazed by autos are many allied businesses: tires and parts suppliers, heavy factory machinery makers and the oil companies. All are expanding, trying to keep up with the demand that comes with European prosperity—and with the easy payment purchase terms that have spread all over Europe's consumer markets.

About three quarters of the American capital in Germany is involved in autos, trucks, tractors, and the automotive supply trades. The same proportion is found in the money that is now being spent for plant expansion. Ford AG and Adam Opel are spending \$60- to \$70,000,000 each on extending their plants—and they expect that, even with the expansion programs, they will still be far behind in supplying cars for the market. In the field of oil and gasoline, Standard Oil of New Jersey's subsidiary, Esso AG of Hamburg, is planning to spend \$50,000,000 to build a new refinery in the vicinity of Cologne, and millions more to engineer a pipeline down the Rhine.

Esso has already spent \$40,000,000 restoring and improving its old Hamburg refinery which was 80 per cent destroyed in World War II bombings. The company built a cracking plant, a hydrofiner (or desulphurizer) valued at \$2,500,000, and has started work on a \$5,000,000 hydroformer which will yield higher octane gasoline. Esso's investment, in terms of replacement value, is now more than \$100,000,000. It includes the largest oil refinery in West Germany, with an annual capacity of more than 2,000,000 tons. Shell is expanding its refineries to equal Esso's present output. But, with the new refinery at Cologne, Esso's capacity will jump to 5,000,000 tons.

Besides the motor industry possibilities, Germany offers exciting opportunities for investment and enterprise in diversified industry, and many newer fields: like jet engines and plastics. Dr. Erhard told us:

"We are interested in American business firms getting into certain industries where our research has fallen far behind since the war. I am thinking of airplanes and atomic energy. We think the Americans can contribute know-how, and the Germans skill and ability."

Several American aircraft and airplane engine firms have already signed deals with German companies, although some of these are held up by security clearances. Meanwhile, the British and French jet engine and airframe manufacturers are taking advantage of the delay in order to promote use of their own products.

Certain aviation *(Continued on page 52)*

GERMANY:

major factors in its phenomenal growth

- U.S. firms have poured nearly \$500,000,000 in new capital into war-devastated German industry. Now they're scrambling to spend another \$200,000,000
- Three-fourths of this new capital has gone into the automotive or related industries
- American money and technical skills have brought big results in

AUTOS AND TRUCKS

ELECTRICAL MACHINERY

SOFT DRINKS

PLASTICS

STEEL

AIRCRAFT

BUSINESS MACHINES

TRACTORS

RADIO AND TV EQUIPMENT

SEWING MACHINES

CHEMICALS

HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

Livestock producers fear the possible effect of an acreage conservation or soil-bank program on their industry. The 20,000,000 to 40,000,000 acres such a program would retire from producing the four surplus basic crops—cotton, wheat, corn, and rice—would be put into grass, forage crops, and trees.

Cattlemen fear that the rented acres would stimulate further expansion of the present record numbers of livestock. Dairymen likewise are warning against any expansion which could disrupt their efforts to hold the supply of milk and dairy products in balance with demand. The Administration's position is that grazing must be prohibited on the diverted acres in order to reduce more effectively the total farm plant production.

However, in some areas strong pressure to permit limited livestock use of the forage acres in the soil bank seems likely. One suggestion is that grazing on the rented land should be permitted in officially designated disaster areas where farmers are suffering from drought and a severe shortage of feed. Other observers caution that any restrictions on grazing would be difficult to administer and that widespread violations could be expected.

CONSTRUCTION

A possible additional expansion of 25 to 50 per cent in the residential modernization market presents a challenge. The combined forces of materials manufacturing, distribution, building, design and finance—individually and through their trade associations—are meeting this challenge.

Adopting the slogan, "'56 - The Year to Fix," the construction industry is launching "Operation Home Improvement," a year-long program designed to inspire more people to improve their property and to make it easier to buy materials and services for property improvement.

With purchasing power growing, loan funds in good prospect and industry promotion in high gear the new year should make modernization really big business.

CREDIT & FINANCE

Although predictions are that economic activity will increase at a slower pace than in 1955, the balance of prospects is favorable.

Inventory growth, high consumer debt, indicated slackening of demand for new automobiles, high interest rates, and lessened housing starts in the last quarter are being emphasized as evidence of a trend.

Too little attention is directed at sustained consumer demand in other fields, augmented federal expenditures and new program requirements, continued heavy demand for both business and personal credit, high levels of business investment for new plant and equipment, and the tight credit rein being maintained by the Federal Reserve.

Public confidence continues unabated and disposable personal income, now at an all-time high, may yet be further increased by tax reduction.

DISTRIBUTION

Although retail sales in 1955 were much higher than expected, and look hard to beat in 1956, retailers expect that retail sales the first half of this year will show gains of three to five per cent over the same period of last year.

There is good reason for optimism. An increase of $13,000,000,000 to $15,000,000,000 in disposable personal income is expected in 1956 over 1955—all potential sales for retailers. It is recognized that the rate of personal savings will probably be higher this year than last and that consumers may rely less on installment buying and more on payments of past installment purchases. But this should still leave room for an increase in total sales. Another cause of optimism results from the healthy rise in department store profits in 1955.

These things paid off in 1955 and should pay off in 1956: intensive promotional efforts, stepped-up advertising, trading-up, and increased use of revolving credit. Other things to watch for: revitalization of downtown areas and possible gains as well as continued success of branch store operations.

FOREIGN TRADE

A bill to extend the government's role in foreign trade financing is before the Congress this session.

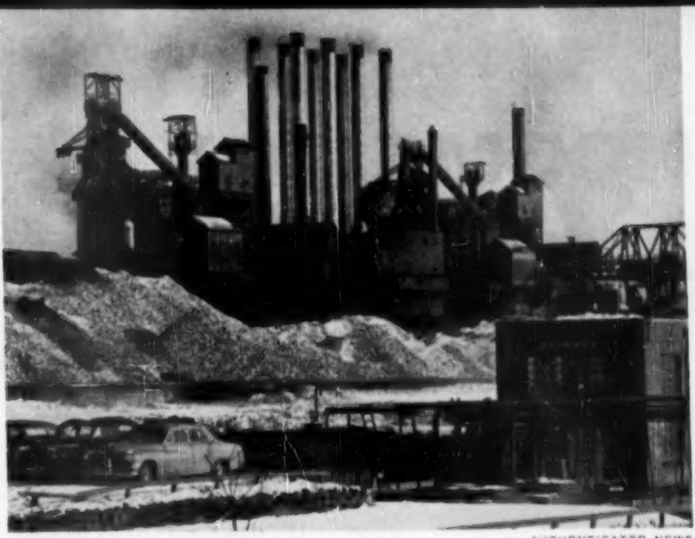
It would set up a new government corporation authorized to write insurance for the noncredit risks which an exporter faces when he extends credit to a foreign customer.

Proponents argue that the various exporters' incentives given by foreign competitors put the United States exporter at a disadvantage and therefore the exporter ought to be relieved, for a fee, from the risks of nonpayment due to political hazards such as inconvertibility, war, rebellion, imposition of embargoes, all outside the responsibility of the buyer or seller.

Opponents point to the fact that the main obstacle to greater export sales to foreign countries continues to be the lack of sufficient dollars. They add that the exporter credits and lines of credit opened by the Export-Import Bank amount to the same thing since the bank will take notes without recourse to the seller.

Pressure for the legislation appears to come largely from exporters of consumer goods. Their exports frequently suffer from the desire of foreign governments to permit only dollar purchases which will contribute the most to the nation's productive and foreign exchange earnings capacity.

outlook



AUTHENTICATED NEWS

GOVERNMENT SPENDING

The legislative mills are already grinding away on the budget for 1957. Because of some of the things recommended in that budget and in the State of the Union message, it is not too early to begin looking ahead to 1958.

Unless spending proposals are cut back much more than now seems probable (remember this is an election year) the groundwork laid in this session can mean that 1958 spending will run ahead of 1957.

The President has recommended increases in spending for many activities. The agricultural program and federal aid for highways and schools are most talked about but there are numerous others.

The added expenditures for any of these purposes that may be voted this year will not be large in 1957, but in 1958 watch out. The pattern set this winter and spring for future spending legislation will begin to show up in the 1958 budget, and we can expect many increases—big and little—in the spending schedules for that year.

LABOR

Major changes in our labor laws during this session of Congress appear unlikely.

Legislators are aware, in view of the President's State of the Union message, that legislation to interfere with the status quo could be unpopular.

The President did offer some recommendations, however. Among others, he referred to previous recommendations made; pledged the full resources of the executive branch to assist Congress in finding ways to broaden minimum wage coverage (which Secretary of Labor Mitchell says has been complicated by the raise to $1); promised a bill requiring disclosure of the financial operation of employe pension and welfare plans; and asserted that legislation to apply the principle of equal pay for equal work without discrimination because of sex is a matter of simple justice.

NATURAL RESOURCES

The problem of providing adequate facilities for the increasing numbers of visitors to the national parks has been under study by the National Park Service for some time, and its recommendations will be set forth in the report entitled "Mission 66" to be released in February. This report will show what that agency thinks needs to be done and what it will cost to bring the national parks up to standards to handle the visitors in 1966—now estimated at 80,000,000 people or more.

The problem has been growing more acute each year. In 1955 nearly 50,000,000 people visited the national parks and monuments. The amount of revenue these visitors contribute to an area can hardly be calculated, but this cannot be expected to continue unless adequate facilities are available.

TAXATION

The question of tax reduction is actually double-barreled. It means decision as to whether taxes or debt shall be reduced if a surplus is available in the 1957 budget. The President raised this problem in his State of the Union message when he said that tax reduction is justifiable only when it does not unbalance a budget which also provides for at least a modest measure of debt reduction.

If we face political reality, however, the question of tax reduction boils down to who gets the reduction, how he gets it, and how much. The President has recommended that the 52 per cent corporate rate and the Korean excises be extended for another year. Political attacks on the new dividend credit and the new depreciation provisions are also indicated.

These attacks seem unlikely to succeed but they will require a great deal of counteraction.

The problem of tax reduction this session revolves around the point at which the cut will be made. The choice actually lies between stimulation of consumption through reductions for the little man, or production through cuts for the investor groups. The final decision probably will be to stimulate consumption and, incidentally, votes.

TRANSPORTATION

The transportation industry is anticipating more action, if not more results, from Congress.

A national highway program appears to have top priority. Pay-as-you-build financing has gained considerable support. An increased program seems probable; its size will be determined by how much of an increase in user taxes Congress will approve in an election year.

The controversial S. 1920 containing the report of the Cabinet Committee on Transportation is also due for consideration. The rails, trucks, buses, and inland waterways have been skirmishing over this for almost a year. Prospects are that the recommendations will be considered separately. Under this arrangement some of the proposals have chance of passage.

The steamship lines again must beat off attacks on the "50-50" law which requires that half of government-sponsored cargoes be shipped overseas in American vessels. This time the task may be harder. The Senate Agriculture Committee will hold hearings and the farmers have long wanted to end "50-50." The House Merchant Marine Committee will also hold hearings.

Of the investigations promised, most interest will surround that of the recent activities of the Civil Aeronautics Board.

INCOME TAX LIMIT HEADS FOR SHOWDOWN

Proponents of a 25 per cent ceiling have been trying to get a constitutional amendment for 16 years. Here's where they stand

FEDERAL TAXES NOW RUN

up to **91%** *on individual income*
up to **52%** *on corporate earnings*
up to **77%** *on estates*
up to **57¾%** *on gifts*

PROPOSED AMENDMENT
taxes could not exceed

25%

Nation's first constitutional convention could follow action by two more states

THE SPONSORS of a constitutional amendment to bar Uncle Sam from taking more than 25 per cent of personal and business income in taxes during peacetime are girding for what they hope is their home-stretch drive after years of patient plugging.

They report that approval by only two more states is needed to force Congress to summon a constitutional convention to act on their amendment. And, they assert, once the convention is called, the tax limitation is practically on the books.

Opponents state that, even should the required number of states sign up, a variety of political and legal hurdles will block the path of the amendment indefinitely, and that it will never become law.

Backing the amendment are many businessmen's groups, supported by a few labor and farm organization officials and some members of Congress.

Opposed are the Eisenhower Administration, labor unions and many members of Congress.

Article V of the Constitution provides two methods of amendment. The first is the familiar one by which Congress itself decides to submit a proposed amendment to the states for ratification.

The second, which has never been used, requires Congress to call a convention of state representatives to consider amendments if petitioned to do so by at least 32 states. Any amendments approved by such a convention would then be submitted to the states for ratification.

Proponents of the 25 per cent tax limitation have been trying to get it into the Constitution via the second method. Through their efforts during the past 16 years, 30 states have at one time or another approved petitions for a constitutional convention to draft the tax limitation, they assert. They say they have good chances of picking up Arizona and South Carolina this year.

The petitions vary somewhat, but generally they would repeal the Sixteenth Amendment, which authorized the income tax, and would instead provide that federal taxes on individual and business income and on estates and gifts could not exceed 25 per cent. Congress could, by a three-fourths vote of the total membership, lift the ceiling for one-year periods in case of war—the only possible exception.

Right now, federal taxes run up to 91 per cent on individual income, 52 per cent on corporate earnings, 77 per cent on estates and 57¾ per cent on gifts.

Foes of the plan insist that Congress has been notified of only 27 valid state approvals, that at least a dozen legislatures rescinded their approvals, that governors in two other states vetoed petitions of their legislatures, and that irregularities in language put other petitions in question. They say, also, that since the convention procedure has never been used, there would be long delays pending decision as to how or when Congress would call the meeting, who would attend, or what it could consider once convened. Court tests, they add, would postpone any concrete results into the dim, dim future.

But the 25 per centers reply that the Constitution makes it clear that rescissions and vetoes are meaningless—that only the initial action counts—and that variations in language are permissible. As for lack of precedent, they say, there has to be a first time for everything.

Besides, the limitation backers continue, there may never have to be a convention. Frank E. Packard, a Chicago lawyer who heads the Western Tax Council, Inc., principal advocate of the 25 per cent amendment, says he doubts there ever will be one.

"We figure," he explains, "that if the states put enough pressure on congressmen, we'll get Congress itself to submit an amendment, as it has done so many times in the past."

Mr. Packard cites the example of the amendment for direct, popular election of U. S. Senators. After rejecting this amendment four times, Congress consented to submit it to the states after 29 state legislatures

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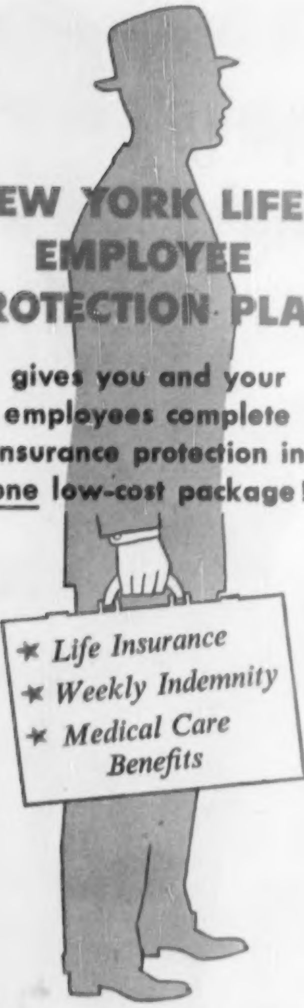

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TAX LIMIT *continued*

had passed resolutions calling for a constitutional convention.

The American Bar Association and some business groups, desiring the tax limitation amendment but worried about the Pandora's box that a constitutional convention might turn out to be, are concentrating their campaign on urging Congress to submit a limitation amendment on its own motion.

Congress already has before it several such proposals. One by Representative Noah Mason, Illinois Republican, is almost identical with the petitions being pushed in the states. More steam, however, is behind a resolution sponsored by Representative Chauncey W. Reed of Illinois, ranking Republican on the House Judiciary Committee, and Republican Senator Everett Dirksen of Illinois, a member of the Senate Judiciary Committee. The Judiciary committees consider all constitutional amendments.

Like the state resolutions, the Reed-Dirksen proposal would repeal the Sixteenth Amendment and limit federal income taxes to 25 per cent. It has two major differences from the state proposals, however. First, where the state resolutions would limit estate and gift taxes to 25 per cent, the Reed-Dirksen resolution would prohibit federal estate and gift taxation altogether. Second, where the state resolutions would permit an unlimited increase in the 25 per cent income tax ceiling by a three-fourths vote of Congress in wartime, the congressional proposal would permit the ceiling to be raised by such a vote for one-year periods either in peace or war, but would provide that in no case could the top rate exceed the bottom rate by more than 15 percentage points. Thus, if the lowest bracket rate were to remain at the present 20 per cent, the top bracket couldn't be more than 35 per cent. If the top bracket rate were to be put at 65 per cent, the lowest would have to shoot up to 50 per cent.

The main arguments of the backers of the tax limitations are twofold:

First, present tax rates take away the incentive to work, save and invest. As a result, there's a growing shortage of new capital for business expansion and for new businesses. Lower tax rates, they declare, would mean billions saved for new investments, more jobs and a healthier, expanding economy.

Second, the tax limitations would help curb a trend toward strong centralized government, a trend that would inevitably lead to socialism unless checked. They claim that if Uncle Sam had less money to spend, he'd have to give up many of the activities he's now carrying on, and operate others more efficiently. The states would take over these functions, but would also have larger revenue sources to finance them.

"Does the federal government have to come out and build us this thing and that thing and the other thing?" Mr. Packard demanded at a recent Senate hearing. "We can take care of our own things if the federal government does not take all our money in taxes. So put it back. Let's get back to the republic as it was intended—with the federal government doing only those things which the states cannot do for themselves."

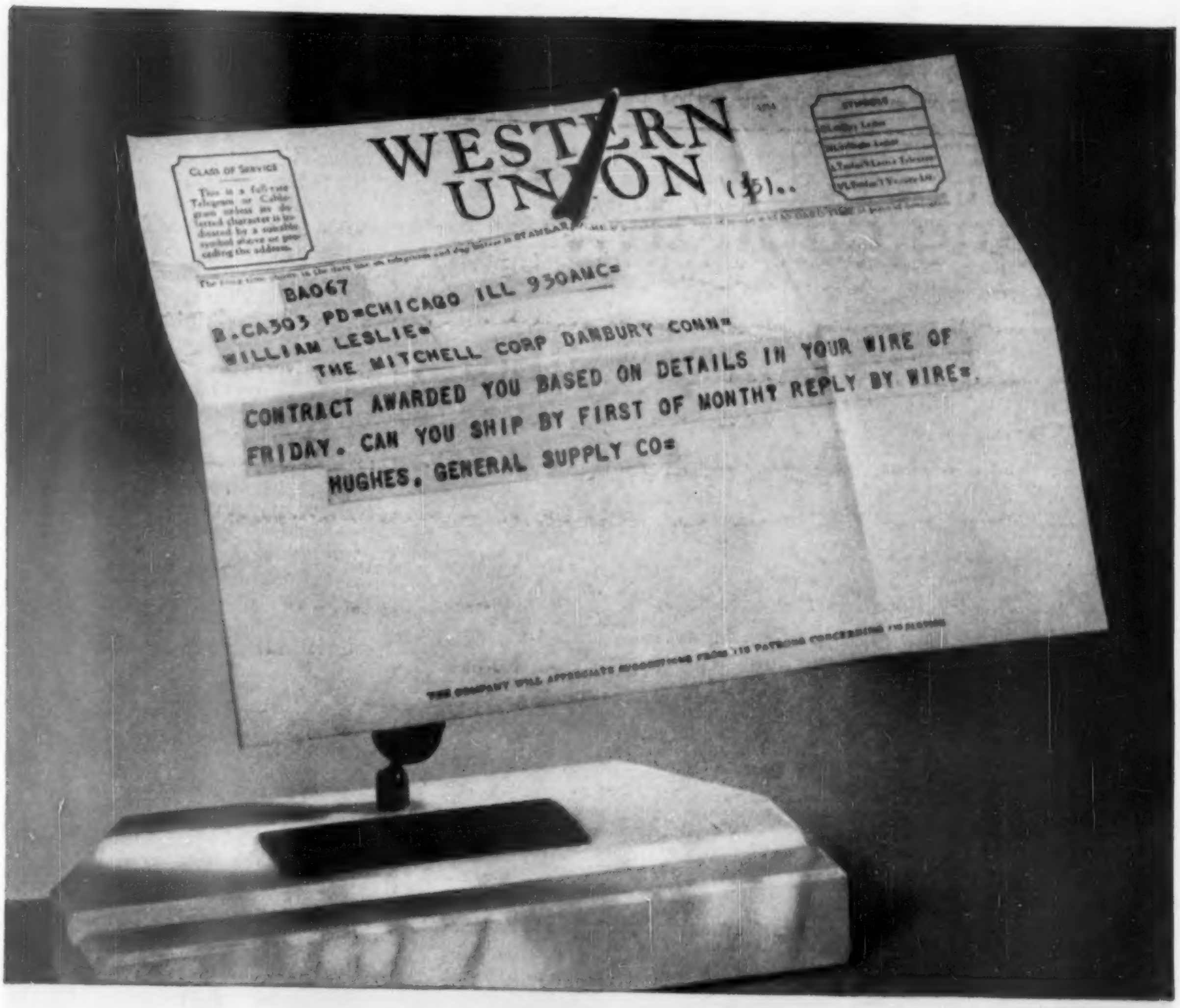
Predictions that the amendment would lead to crippling losses of federal revenue are false, the backers say. Naturally, they admit, revenue loss at the beginning would be considerable. But, they declare, the lower tax rates would stimulate new investment, new businesses, new products, and new jobs. All this would in the long run make up a good part of the initial federal revenue loss. The stimulating effects of the 1954 tax cuts are cited as proof of the validity of this argument.

To charges that a ceiling on corporate tax rates would help larger firms at the expense of small ones, the amendment's sponsors answer that the real party at interest in corporate taxation is not the corporation but the stockholder. The average stockholder in big firms has smaller holdings than the average stockholder in small ones, they assert, and so the present set-up taxes the small stockholder at a higher rate than the large stockholder.

One of the main roadblocks in the way of the amendment is undoubtedly the strong opposition of President Eisenhower and his Administration.

"I do not believe," the President said in the course of the 1952 campaign, "that the wise approach to the problem of reduced taxation is through an amendment to the federal Constitution. An arbitrary ceiling on the power to tax without a like ceiling on the power to spend could likely result in larger and larger deficits and a grave financial unsettlement. The rigidity of a constitutional amendment would be a source of danger in possible future national emergencies."

More recently, Treasury Secretary Humphrey told Congress the Reed-Dirksen proposal could cut



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"While some flexibility would be provided since Congress is permitted to exceed the general limitation, this procedure would at best keep finances in a precarious position," he declared. "The relaxing of the limitations would require annual legislation, and a failure to achieve a three-fourths majority in either house could precipitate a very large deficit. In present circumstances, the restrictive constitutional amendment proposed here would require a reconstruction of the federal tax system. A sudden shift to other forms of taxation would have to be made on a scale that would be neither feasible nor, probably, acceptable to most people. A financial breakdown could easily result."

Most labor organizations are vitriolic in their opposition to the amendment. A pre-merger AFL resolution called it "this proposed mil-

lionaire tax swindle," and several labor union officials have charged that the plan is the opening wedge for a national sales tax. Other objections include:

1. Many economists do not believe that lower taxes would boost work and saving incentives, but rather feel that high taxes cause people to work harder and assume greater financial risks so as to keep up their net income after taxes.

2. State and local governments would be hurt, rather than helped. The federal government would have to use tax sources now used primarily by states and cities. Moreover, states would have trouble raising their revenues enough to offset the loss of federal grants that could result from a tax limitation.

3. Finally, say the opponents, the way to lighten the tax load is to concentrate on unnecessary government spending and inefficient management. This, they declare, would make possible tax cuts for all, and not merely shift the tax burden from rich to poor.—CHARLES B. SEIB

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GERMANY

continued from page 43

know-how contracts have already gone into action. The Henschel & Sohn GMBH (Limited) locomotive works, in Kassel, has signed with United Aircraft first to sell Sikorsky helicopters and later manufacture the same product in a patent-leasing contract.

Another know-how contract of considerable size has been undertaken by Trans World Airlines with the newly reactivated German airline Deutsche Lufthansa. TWA sent 11 pilots last May to train German pilots in the operation of Lockheed Constellation aircraft. The TWA men are still on the job. Two more TWA pilots were added in September and October as Lufthansa prepared to take delivery of more of the large planes.

Lufthansa, one of the world's oldest airlines, was shut down by Allied occupation authorities after World War II. The line was revived by a government grant of $30,000,000 soon after the West German Republic became a sovereign nation in the spring of 1955. The government of the new nation of 50,000,000 people was eager to have its own airline, symbol of progressiveness and independence in the modern world.

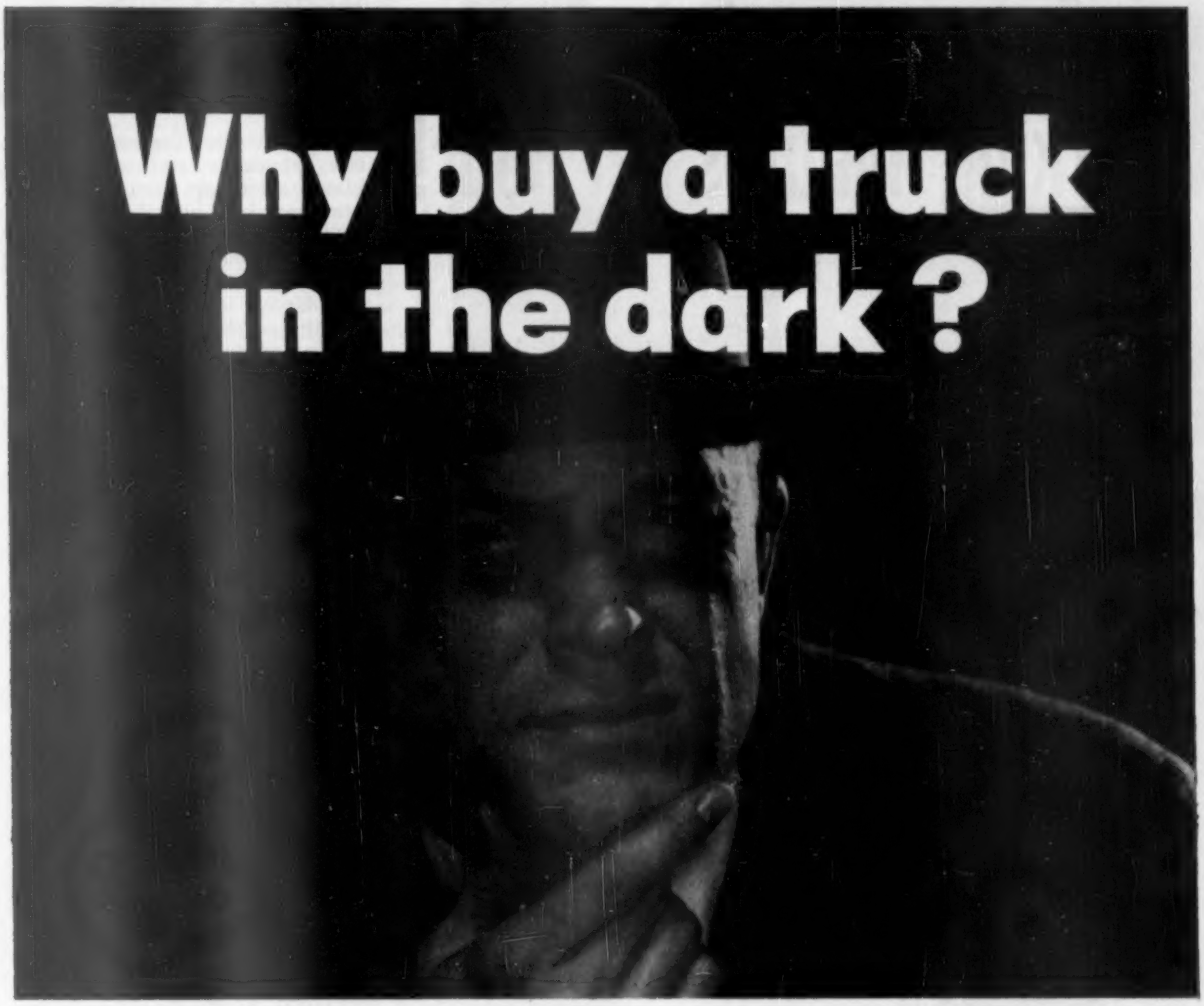
To get pilots, Lufthansa drew on the German reservoir of World War II fliers, many of whom had thousands of hours of multiengine time, although few had any flying experience since the ending of hostilities.

Lufthansa bought a fleet of light planes, Swedish Saab Safirs, to provide refresher courses, and, with German thoroughness, they provided an eight-month ground school.

The German pilots are still flying as co-pilots on the trans-Atlantic route, with TWA pilots as plane captains. The transition to German plane captains will be managed gradually.

Lufthansa has other American technical representatives superintending plane maintenance in the airline base at Hamburg. The Americans are from Lockheed, Convair, and two engine manufacturers, Curtiss-Wright and Pratt & Whitney.

Lufthansa expects to get six more Constellations in 1956 to expand its services to the United States, and open lines to Rio de Janeiro and Buenos Aires, and the Near East as far as Teheran. Beyond this year, it is anybody's guess what type of aircraft they may be buying. They are reported to be favorably disposed to the Lockheed turboprop Electra but may yet shift to the British



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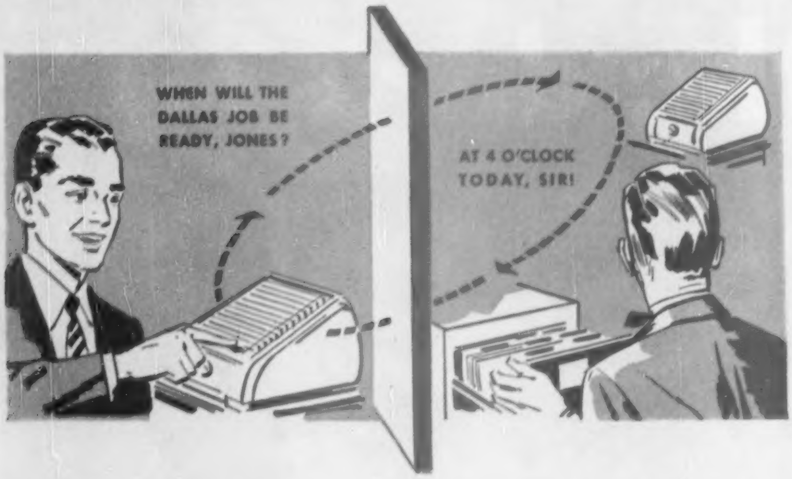

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In many other industries, American experience and capital have played a big part. Scores of American firms had capital in Germany before World War II. They jumped in during the occupation and helped to pick up the pieces of the bombed-out plants.

National Registrier Kassen GMBH, a subsidiary 80 per cent owned by National Cash Register Co., suffered heavy war damage. In addition the Russians looted 1,800 factory machines before Berlin was officially divided. National Cash Register rebuilt. The factory now has more than 1,000 employes and is steadily increasing as new machinery is brought in.

Two of the largest Berlin firms are partly owned by International Standard, an affiliate of International Telephone and Telegraph. They are Lorenz AG, makers of teletype and radio transmitting and receiving equipment, with a capital of more than $4,000,000, 98.7 per cent owned by International Standard; and Mix and Genest AG, manufacturers of telephones, a $2,000,000 subsidiary of which the Americans own 94 per cent.

Two other big electrical firms in Berlin are owned in lesser degree by an American company, International General Electric. They are the $4,000,000 A. E. G. (Allgemeine Elektricitaets Gesellschaft), a maker of electric powerplants and turbines, 18 per cent owned by International GE; and Ozram GMBH, a $2,500,000 electric-light bulb company of which International GE holds 21.45 per cent.

Smaller Berlin companies with American holdings are Flohr-Otis, half owned by the Otis Elevator Company; Loewe Opta AG, 100 per cent owned subsidiary of Loewe Radio of Yonkers, N. Y.; and the Gillette Safety Razor Company of Germany. All three companies are expanding, Otis shipping dies all over the world, Gillette making an extra line of razors under the brand name Rotbart.

The city government of West Berlin, sensitive to the feeling of insecurity which besets businessmen in the island city, has taken big steps to encourage industry to stay there. It has arranged a 20 per cent cut in corporate income tax, and it has guaranteed air freight shipment at the same rates as surface for any company whose products

have been harassed or confiscated by the communists in ground shipments. Such measures have brought $50,000,000 or more of American capital into the city since World War II.

In the rest of West Germany the federal government has encouraged industry with special financial benefits. Income tax law, for instance, has allowed businessmen to list company expansion costs as business expenses. Dr. Erhard has also engineered low-interest loans to basic industries, like shipbuilding and housing.

Now that the German economy is booming, these efforts to prime the pump are ending, though income tax laws are still easy. The German firms have responded vigorously.

In motors, the Volkswagen Werke, near Braunschweig, is showing the world how to grow. The VW boss is Heinz Nordhoff, 54, who learned his mass-production technique as an executive with the German General Motors subsidiary, Opel. The Volkswagen Werke is now Europe's biggest single exporter of cars, with an output of 1,300 cars a day, soon to be boosted to 1,500—and it is still far behind in orders.

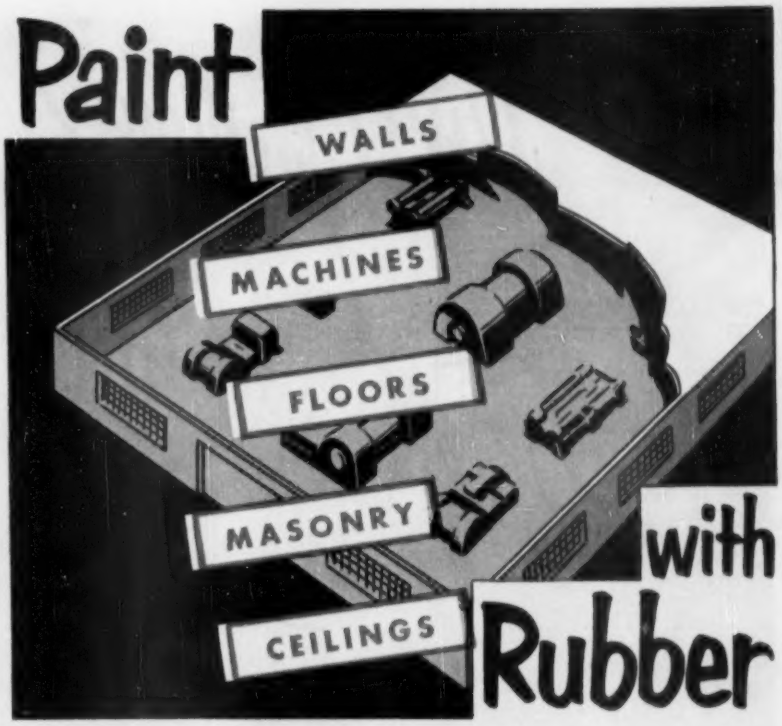
The VW works supplies 40 per cent of the cars bought in Germany, and ships 58 per cent of its output to the rest of the world. Before 1953, the little Volkswagen was almost unknown in the states. In 1954, some 9,000 of the rear-engine cars were sold to Americans, and 1955's sales are estimated at 35,000.

Herr Nordhoff has opened branch factories in Belgium and in Brazil in an attempt to boost the supply of Volkswagens. Last fall he bought a plant in New Brunswick, N. J., for $4,000,000 to meet the American market.

The car represents a happy wedding of German inventiveness and workmanship with American style and mass-production methods. The Wolfsburg plant has three parallel assembly lines moving simultaneously, all making the same two-door model. Mass production is in some respects carried further than in the U. S.; for instance, bodies are dipped in paint vats rather than sprayed.

But in car-hungry Europe the German subsidiaries of Ford and General Motors are giving the Volkswagen a close run. Together, they supply 40 per cent of the German car market, equaling Volkswagen's domestic sales record, and they are almost up to VW in exports. When plant expansion is finished next year, Ford and Opel together should surpass Volkswagen's production.

Despite continuing expansion,



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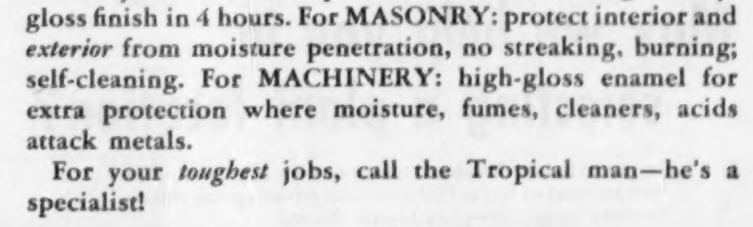

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GERMANY *continued*

both Ford and Opel have long waiting lists for their cars. Both factories are working two shifts.

Opel's big plant at Russelsheim, near Frankfurt, is GM's biggest subsidiary overseas (99 per cent GM owned), and has about 20 per cent more production than the British GM (Vauxhall) factory. The Russelsheim plant has about 27,000 employes, and a replacement value of about $250,000,000. It is about three times the size of the Ford Werke in Cologne, in both employes and capital value. Ford is 75 per cent American owned.

Both car makers put out autos suited to European and Asiatic markets where high taxes on gasoline and on horsepower, and low incomes make smaller cars popular. The German Ford, called Taunus, and the Opel Olympia, Rekord and Kapitan are all shorter, lighter and about one third to one half as powerful as their American cousins, Ford and Chevrolet. The smaller of the two Taunus models, the Taunus 12, (with 40 horsepower), sells for about $1,350 in Germany, and the cheapest Opel, the Olympia, is priced at about $1,250. Even the biggest Opel, the Kapitan ($2,200 in Germany), is seven inches shorter than the Chevrolet, and has only 75 horsepower (80 by the American system).

Before World War II, Opel made a car still smaller and cheaper than the Olympia, the Kadett. When the Russians took over East Germany, they also appropriated the Opel branch plant in Brandenburg, and with it the dies of the Kadett. Renamed the Moskvich by the Reds, and with two doors added, the Kadett is now reputed to be the biggest selling car behind the Iron Curtain.

Despite the loss of the Kadett, Opel has beaten all prewar production records. In 1938, its peak year before World War II, Opel made 143,000 cars; in 1955, an estimated 170,000.

For production skills, Opel gets plenty of help from GM in the U. S. Executives and engineers make frequent trips in both directions, and Harlow Curtice, GM president, came to Russelsheim in 1955 to superintend the implementation of the $65,000,000 expansion program. The Opel managing director, Edward Zdunek, is an American from Montana. His assistant, Gaston De Wolfe, is from Plandome, Long Island. Both give great credit to German workers for Opel's accomplishments. One trouble with German

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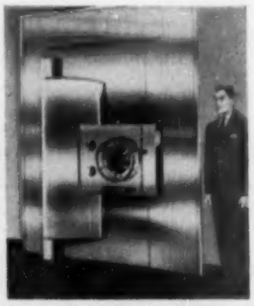

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workers, if it is a trouble, says Mr. De Wolfe, is that they want to work all the time and make more money.

Opel has a program for training promising young German engineers in the GM plants in Detroit and Flint.

Opel and Taunus both have modern plants, including much new American-made machinery. Both have considerable automation, principally in new American machines that do practically all the boring and planing of engine blocks. One automatic boring machine at Opel performs more than 200 operations.

The bulk of new investment in both factories, however, is going into huge German-made presses which stamp out body sections.

Opel and Ford both have separate production lines for trucks, Ford turning out about 80 trucks a day, about twice as many as Opel. Ford has just brought out two new diesel truck engines.

Like Opel, Ford has a constant interchange of personnel between Germany and the States, and many engineers and executives of the German firm have been trained in the U. S. The assistant chief of planning, Klaus von Dohnanyi, studied at Yale, Columbia, and Stanford. The plant layout supervisor, Cris Erven, made a special study of earthmoving equipment in the U. S.

The tire industry, however, has seen the most recent sizable influx of American technique. Firestone was the first. It signed in 1950 with the Phoenix AG, in Hamburg. In exchange for patent rights, Phoenix gave Firestone ownership of one quarter of the company stock, then worth about $1,000,000. Since then, the value of the company has appreciated with booming business and concomitant increases of capital. If Firestone should sell out now, it would realize a profit of 175 per cent. The Firestone-Phoenix profits continue to climb, with gross receipts for 1955 estimated at $50,000,000.

About half of this represents sales of tires. There is also a sizable business in rubber shoes, belting, and hard plastics. Firestone-Phoenix is building factory additions valued at $5,000,000. The value of the company now in terms of fixed plant and inventory is about $60,000,000, according to the managing director, Otto A. Friedrich.

Mr. Friedrich, incidentally, is another German industrialist who had American training. He started in the rubber business in Germany, went to the U. S. in 1927 and worked for B. F. Goodrich in Akron, Ohio. Goodrich sent him back to Germany to manage its enterprises there. He joined Phoenix as managing director in 1939, and after the war, started negotiations with American companies for a partnership. He says:

"We wanted to have a close combine with the American competition to get into the tremendous motor development in America, and to share in the research. We wanted to put our tires to a test to know where we stood internationally. We wanted to fit into the foreign sales field."

Firestone first asked for payment on a patent-leasing, or royalty, basis, but Herr Friedrich convinced them of the advantages of a combine. They have gained considerably more than they would have on royalties.

Automation in German industry is illustrated by this cylinder broaching machine in the GM-Opel factory

The Firestone Company became one of the first American firms to take advantage of the U. S. government's overseas capital investment plan. This International Cooperation Administration plan provides guarantees of capital returns and insurance against expropriation by a foreign power. The fee is three fourths of one per cent of the returns.

Besides making tires, footwear, belting, Bakelite and hard foam rubber (used for insulation), Firestone-Phoenix is currently getting into the manufacture of factory pipe made of polyethylene. The Ziegler (low pressure) method of fabrication invented last year by a German has brought the price of this pipe down so it can compete with steel pipe.

Incidentally, there is a pronounced trend toward big combines among the leading German firms. Three big chemical amalgamations descended from the old I. G. Farben chemical trust are flourishing and expanding: Farbenfabriken Bayer (aspirin), Farbwerke Hoechst, and Badische Aniline und Soda Fabriken.

In German banking, a similar amalgamation and expansion phenomenon is occurring. The Allied occupation authorities split the old German banking trusts into 33 banks in 1946, but the number has shrunk to nine chains now, and is expected to devolve into only three by the end of this year.

The big steel companies of the Ruhr, including Krupp, of course, have been revivified and are expanding, combining with related firms like the polyethylene group mentioned above.

So far the only American firm to venture subsidiary operations in the German steel industry is Armco, which has a small 100 per cent American-owned plant in Cologne.

Other major tire and rubber companies of the U. S. have made arrangements with German firms. However, they have all signed on a straight royalty basis. Goodyear has a deal with Continental Gummiwerke AG, of Hanover, Germany's largest tire and rubber company. Continental makes tires bearing the Goodyear trademark.

The B. F. Goodrich Company signed a patent-leasing contract with a smaller German firm, Veith Gummiwerke. They make tires with the label Veith-Goodrich. The General Tire and Rubber Company has a patent-leasing deal with the Metzeler Gummiwerke AG, of Munich.

Other new deals involving the German motor industry have centered around aircraft production.

At present, two German auto

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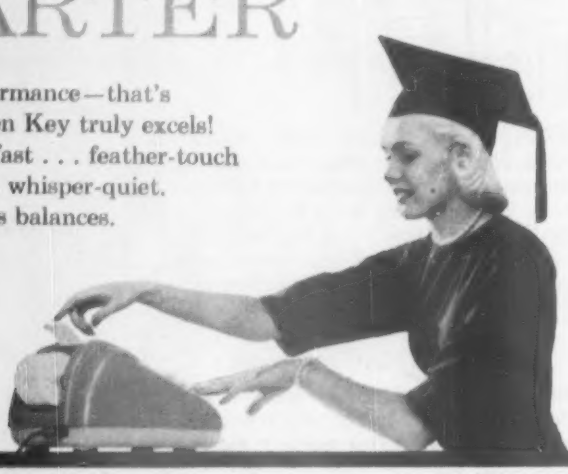

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GERMANY *continued*

firms, Daimler-Benz of Stuttgart, and BMW (Bayerische Motoren Werke) of Munich, have tentatively agreed to make American-type jet engines. Daimler-Benz, manufacturer of the famed Mercedes racing car, is negotiating to make United Aircraft J-57 jet engines; BMW will make General Electric J-73's. But red tape must first be clipped.

According to Air Force security rules, blueprints of military aircraft and engines must not be given to a foreign power. Special exceptions to this have been made in the cases of Britain and Canada, which manufacture our F-86 Sabres on patent-leasing arrangements, but quick clearance of jet engine blueprints is not possible for Germany.

The snarl is serious because, while the U. S. negotiations are held up, British industrialists are promoting the Rolls-Royce and Bristol Orpheus jets, the Canadians trying to sell the Orenda, the French promoting the Hisso. The result may be that the German motor firms may have standardized on non-American jets as the era of jet transports dawns.

Potential manufacturers of older-type, propeller-driven aircraft in Germany are negotiating with British and American firms to get capital and patent rights. Bell Aircraft is reported to be seeking a factory tie for the manufacture of helicopters in Hamburg. There is the Henschel & Son helicopter deal with Sikorsky, and two World War II manufacturers of German military aircraft, Dornier and Focke-Wulf, have plans to make small training and liaison planes. Dornier, during the time the occupation authorities banned manufacture of aircraft in Germany, had designed and started to manufacture its liaison type, the 27, in Spain.

Focke-Wulf, maker of one of Germany's most famous fighter planes during World War II, lost all but one of its factories to the Russian zone. There remains one 300-man factory in the western zone, near Bremen. Both Junkers and Heinkel lost their plants to the Russian occupation, and would have to start afresh with new factories in the western area. Probably the airframe companies will all need foreign capital, and patents, and help from the German government, to get into any sizable production of aircraft.

Other smaller enterprises, not so dependent on huge amounts of capital, and not hindered by any occupation ban, have flourished all over Germany with American help. One

example is the Gerresheimer Glashutten Werke, of Cologne, the largest bottle factory in Europe. Gerresheimer manufactures up to 1,500,000 bottles a day for European and world markets—using huge American-made Owens and Hartford machines to make the product. The firm sends engineers and executives to the U. S. to study American methods, the assistant technical manager, Heinrich Kullmar, having just visited the Owens-Illinois bottle factory in Fairmont, W. Va.

Gerresheimer also signed a patent-leasing contract with Owens-Corning Fiberglas Corp., of Toledo, and is now making 100 tons of Fiberglas a year. They expect to increase their output by 15 per cent in 1956, supplying a growing German market which now includes a Fiberglas car, the tiny Brutsch runabout.

The Gerresheimer people share their Fiberglas patents with Germany's largest producer of plate glass, Vereinigte Glaswerke AG. The two firms supply all of Germany's textile glass, glass silk and glass wool—the biggest Fiberglas item in the German market.

The Gerresheimer sales and finance manager, Walter Schröder, says that in glass manufacture, as in other industrial arts, Germany and the U. S. learn from each other. "We learn from the Americans in glass melting, and in mass-production methods. The Americans learn from us in building furnaces."

In Stuttgart, the Kodak-Nagel works, worth $10,000,000, makes Retina cameras, about half of them for sale on the American market, under the Kodak brand name. Kodak bought the firm in 1927. The Nazis used it for the manufacture of bomb detonators during World War II.

According to the sales manager, Rolf Wendt, production is always sold out, and there is a seven-month waiting period on orders. Mr. Wendt says the firm is expanding, but there is a shortage of men and women skilled in the camera trade. Another problem is to get factory machinery.

Even with these impediments, though, Kodak-Nagel has rebuilt its bomb-damaged plant with startling speed. The factory was 60 per cent destroyed at the end of World War II, and in 1946 only enough machines to occupy 200 workers were in commission. At the end of 1955, however, the buildings and machines had largely been restored, and 1,800 skilled workers were employed. In 1956, there will be 2,000 workers and Retina cameras are expected to be 28 per cent of the German output.

Another German precision product is the Braun electric shaver,

Operation Moving Van . . .

▶ No, the doctors are not operating on a moving van. But an Aero Mayflower moving van has been helping the doctors learn operating technique since 1949 by moving over 20,000 pounds of color television equipment throughout the United States and Canada for closed circuit television programs. Mayflower has been handling this delicate equipment for the pharmaceutical house of Smith, Kline and French of Philadelphia.

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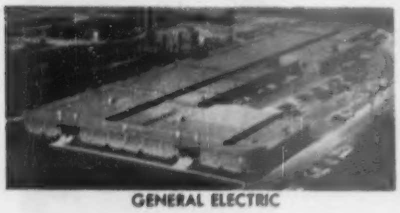
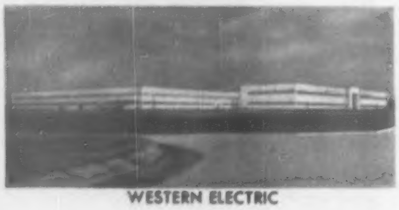


GENERAL ELECTRIC



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NORTH CAROLINA
Year 'Round Mid South

marketed under the Ronson brand name in the U. S. Ronson, famed for cigaret lighters, grew interested three years ago in the shaver manufactured by Max Braun Co., of Frankfurt. The American firm signed an agreement to import $2,000,000 worth. Later Ronson arranged to make the gadget in its stateside factory under a patent-leasing arrangement. Certain key parts, involving specialized skill, are still made in the Braun factory in Frankfurt, but this German technique may eventually be passed over to the American workers.

The Max Braun firm, stimulated by its American contacts, became interested in the American design of radios, and decided to offer something more like American style in radio sets. Before going into production, it investigated the market with Teutonic thoroughness, and concluded that 35 to 40 per cent of the Germans who bought new furniture were buying a modern style, or streamlined variety, according to Wolf Feiler, Braun's export manager. The idea, says Mr. Feiler, was to offer "American style with German workmanship." Now the firm offers portable and cabinet radios, and 21 and 27-inch TV sets, which look like the American type.

The market for German television sets is promising. The industry is an infant now, but Frankfurt, Munich, Cologne, Hamburg, and Hanover already have TV stations.

The average German factory worker earns $90 to $110 a month for a 48-hour week. Strikes are few because prices are low. The labor market is tight, and the creation of a German army this year may aggravate the situation. But Economics Minister Erhard and the conservative-minded Finance Minister, Fritz Schaffer, are determined to hold prices down and thus avoid labor unrest. Dr. Erhard uses a novel method of informing housewives about the dangers of buying high-priced goods. He takes paid advertisements in newspapers, urging German women to boycott price gougers.

Dr. Erhard says, on the subject of inflation: "I have conducted a campaign to make the people say no when high prices are demanded—and to warn the trade unions not to be aggressive with their demands. The entrepreneurs must also pass on their savings (in production) in the form of lower prices. We are also contemplating lowering of tariffs."

So far, Dr. Erhard has waged a

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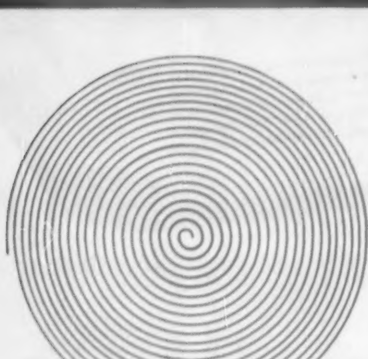

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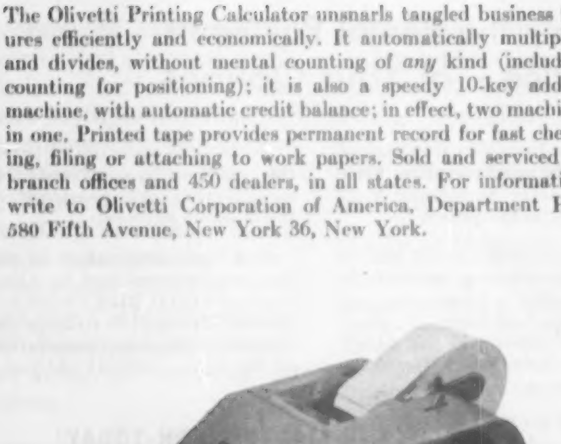

olivetti

GERMANY *continued*

successful campaign to cut quota restrictions on the import of some 4,000 items from the U. S. Iron ore, scrap, cotton, tobacco and petroleum are some of the items on the new free list. Quota restrictions still obtain on finished machinery where it competes with German industry, and on agricultural products. He admits that German imports restrictions on agricultural products are high, and says "it would be good to be liberalized—but it is a political question." With equal frankness, he says he finds the American tariffs excessive and wishes these could be liberalized.

Another field in which Dr. Erhard would like to see American interest is atomic energy plants. In this field, too, he wants capitalists to have a free hand to invest their money and take their own risks. Probably, though, other German leaders, less dedicated to free capitalism, will arrange some sort of national atomic authority which will make sure that the atom's power is not put to military uses. Possibly American atomic authorities, who will probably supply the uranium for the reactors, will also want to see some German government control.

However, German power companies are laying plans to build their first atomic reactors. Their interest is logical, because Germany has worked its most accessible coal deposits and now has to get the fuel from more difficult beds. The country is trying to step up domestic oil supply, but German wells can produce only five eighths of the demand. Hydroelectric power is expensive. Since power needs double every ten years in Germany, as in the U. S., the Germans are eager to pitch their inventive genius and productive energy into the atomic field.

Two big German power companies, RWE (Reinisch-Westfalische-Elekrizitatswerke), and Bayer-Leverkusen (a fraction of the prewar I. G. Farben combine) have plans for power reactors costing $50,000,000 each and capable of generating 100,000 to 200,000 kilowatts apiece.

Two smaller research reactors are scheduled to be built in Karlsruhe, under the auspices of the University of Freiburg, and in Munich. These will probably have subsidies from the German state and federal governments, and the U. S. Atomic Energy Commission may supply a few pounds of atomic fuel for them.

All of these plans are much in the future, and even the semiprivate en-

terprises like RWE may not be interesting to American capital for several months, because of the legal tangles still to be unravelled.

But in less nebulous fields, the rush of American capital into German firms is continuing.

Argus Camera Co., of Ann Arbor, Mich., has just bought a German factory and is going into production; Beckman Industries, a precision instruments firm with home base in Fullerton, Calif., has an expanding branch factory near Munich; Coca-Cola and Pepsi-Cola have both profitable concession arrangements with German firms; Maxwell House has started marketing its coffee product in Hamburg with such success that the firm is now considering opening a factory; a subsidiary of the Armco Steel Co., of Middletown, Ohio, is expanding both profits and personnel in a factory making sheet steel at Cologne; and individual American investors have acquired $50,000,000 worth of miscellaneous German stocks, almost all of which are paying nice dividends subject to a pleasantly low income tax.

The foreign capital picture is encouraging. There are possible war hazards, as anywhere in Europe, but in the words of Harold Swenson, National City Bank of New York's chief representative in Germany, "For security, I'd put my money in Germany—next to the U. S. A. Americans look all over Europe to locate a plant or engage in business operations, and they end up in Germany, with the Netherlands second." Mr. Swenson points out that even if the German cabinet should change, the key economic ministers, Erhard and Schaffer, will probably keep their posts.

Weir Brown, financial attaché at the U. S. Embassy, agrees that German industry is a fertile field for American capital. He says: "The tax structure still favors the people with big income reserves, people in the upper income brackets. . . . German industry is very competitive in world markets. The German companies have been very successful. They've been operating at rather high profit margins."

Otto Friedrich, the American-trained boss of Firestone-Phoenix tire and rubber works in Hamburg, sums up the German-American business affinity best of all:

"The Germans are pretty open-minded. They are going into the world (of trade). We have the same feeling as the Americans, and the Germans and Americans are meeting each other halfway—more so than other nationalities."

—Richard Tregaskis

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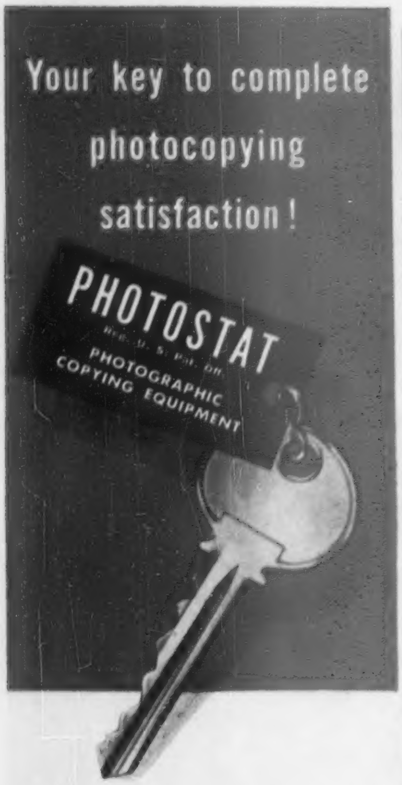

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COMING: closer check on wages

Labor Department's Wage and Hour Division checked 39,330 payrolls last year. Here are plans for '56

MORE payrolls will be inspected for possible wage and hour violations—and the investigations will be more frequent and more thorough—after the federal minimum wage rises from 75 cents to $1 an hour March 1.

Last year government inspectors checked 39,330 payrolls. In 19,395 of them they reported violations amounting to $12,151,077 in back wages due 128,754 employes.

Seeking compliance with the higher minimum wage which passed Congress last session, new Wage-Hour Administrator Newell Brown is:

► Adding more than 300 investigators to his staff.

► Undertaking an educational campaign to explain the law in plain language, especially to small businessmen.

After the higher minimum has been in effect for a while, its impact on low-wage industries employing the 2,100,000 workers earning less than $1 an hour will be studied. Raising wages to the $1 minimum is expected to increase payrolls about $500,000,000 a year. In some industries raises necessary to preserve the wage differentials of workers already earning at least $1 may cost even more.

Most of the stepped-up payroll investigations will be made in businesses most affected by the higher minimum—those which have been paying a large number of employes less than $1.

Employers who violate the Fair Labor Standards Act are liable for double the wages due and, for repeated, willful violations, may be fined $10,000 and imprisoned for six months. Since the law was passed in 1938, the Wage and Hour Division of the U. S. Department of Labor has made 652,800 payroll inspections. More than 249,400 businesses agreed, or were ordered, to make restitution totaling $156,406,000.

New bulletins, written in popular style for easy understanding, have been prepared to explain the major provisions of the wage-hour law to the average businessman. They may be obtained free by contacting one of the Wage and Hour Division's offices in 46 states or the national office in the Department of Labor Building, Washington 25, D. C.

The new bulletins explain:

► The entire law in digest.

► Exemptions applicable to farm workers, retail and service employes, food processors, transportation employes, and others.

► Exemptions for 4,000,000 executive, professional and administrative employes in all industries.

► The coverage of the law, which applies to employes engaged in commerce or in the production of goods for commerce.

► How to compute hours worked and overtime pay.

► How to keep records.

► Child labor restrictions.

Also available is a new digest and a question-and-answer bulletin explaining the Walsh-Healey Public Contracts Act, under which the Secretary of Labor determines minimum wages by industries for work on government contracts of more than $10,000. These minimums are at least $1, with 15 of them higher.

Minimums of $1 set for cotton and silk textile workers three years ago and $1.40 to $2.34 set for soft coal miners a few months ago are being challenged in the courts.

Other industry minimums recently established on government work: $1.18 an hour in photographic and blueprinting equipment; $1.11½ in pulp and paper, and $1.08 for envelope makers. A minimum of $1.10 has been set tentatively for the office machine industry.

Proposals to raise the new $1 wage-hour minimum still higher—to $1.25—and to extend coverage to about a third of the 20,000,000 employes not now covered will be considered in this session of Congress, but no action is expected. END

"Competition gives us better values

—we got a good buy on our TV set!"

Inquiring Reporter: What do you folks think of the proposals in Congress that would give *regulated* forms of transportation more freedom to price their services in competition with each other — and with unregulated trucks and barges, too?

Husband: Well, we've just bought a new TV set at a very good price — with every store in town competing to give us the best value. Competition *always* gives us more for our money.

Wife: Isn't there competitive pricing in transportation, too?

Inquiring Reporter: Not always. Present government regulations frequently require regulated carriers, such as all railroads and some trucks, to make freight rates higher than would otherwise be necessary — just to protect competing forms of transportation.

Husband: I read about that. Didn't a Cabinet Committee appointed by the President recommend a change?

Inquiring Reporter: Yes. The Committee says that if each form of transportation were given the right to make rates related to its own costs and needs, everybody would benefit — including consumers like yourselves.

Wife: I should think so. After all, freight charges are part of the cost of everything we buy.

Husband: Like our new TV set, for example. Yes indeed, you can say we favor competitive freight rates!

For full information on this vital subject, write for booklet, "Why Not Let Competition Work?"

Association of American Railroads

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EXECUTIVE

continued from page 32

Among men the ranking was lack of recognition, then lack of information, then salary relationships. The women's ratings after salary relationships were lack of recognition, then lack of office information.

Interestingly enough, the drawback of working under pressure was reflected among the younger women far sooner than among older ones—a reversal of what might have been expected. Among over-40 women, the most frequently mentioned irritations are lack of recognition, salary relationships, lack of information, supervisory friction, inadequate equipment, poor ventilation, uncomfortable temperature, drab surroundings, fellow employes, job insecurity.

But, for all women, the tabulation showed working under pressure as the fourth most frequently noted complaint, followed in order by supervisory favoritism, poor ventilation, inadequate or faulty equipment, uncomfortable temperature, job insecurity, drab surroundings, fellow employes, supervisor listens to grapevine, must lie for boss, boss late for appointments, vacation policy, and, finally, smoking rules.

For all men, work under pressure also lodged in fourth place. Then followed job security, supervisory favoritism, poor ventilation, inadequate or faulty equipment, uncomfortable temperature, drab surroundings, supervisor listens to grapevine, fellow employes, must lie for boss, vacation policy, boss always late for appointments and smoking rules.

Largely, employes regard themselves well. To the question, "Would you hire yourself?" no fewer than 5,961 "yes" answers were checked, compared with but 417 in the "no" column. Another 105 did not answer.

—Stanley H. Brams

REPRINTS AVAILABLE—*The article "What Employes Want in an Executive" may be obtained in reprint form for 10 cents a copy or $10 per 100 including postage. Order from Business Manager, Nation's Business, 1615 H Street N.W., Washington 6, D.C.*

ANSWERS TO EXECUTIVE QUESTIONS

Odd-numbered questions on page 32 are best answered "yes"; even-numbered questions are "no."

1. Yes. Male employes found lack of information the second most general complaint they had; women listed it third.

2. No. A display of energy was the last of 16 desirable characteristics of an executive; only four of 6,656 respondents listed it among the first five desired characteristics.

3. Yes. Lack of recognition ranked high among office complaints—second among the men's complaints and third among the women.

4. No. Only 35 men and 72 women listed education as a desirable characteristic of an executive; only a display of energy was listed as less important.

5. Yes. Both men and women listed injustice as the greatest source of irritation in a boss.

6. No. Both men and women listed swearing as one of the least irritating qualities.

7. Yes. Male supervisors are preferred—4,311 to 87. But 2,013 others expressed no choice.

8. No. It's not so bad. Men listed 12 qualities as more irritating than temper. Women listed it about the same way.

9. Yes. There was definite indication in all replies that nearby age was preferred by employes.

10. No. Only eight men and 71 women listed a sense of humor among the first five characteristics they preferred.

11. Yes. Men listed a first name basis as their preference; women listed it second only to the choice of supervisors use of first names in talking to subordinates.

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GOOD LABOR. Responsible, versatile, 97% native, *30% fewer government workers per capita than nationally.* Enviable strike and lockout records. First in U. S. with labor-management charter.

AND IT'S GOOD TO LIVE IN INDIANA! Superb schools; 29 state and local colleges, universities. Fine housing, moderate rent. Low-cost state and local government. Good climate. Good hunting, fishing, conservation. Over 1000 lakes, streams; 32 famous state parks, forests, beaches. Resorts. Winter sports. Fine public swimming pools, parks, playgrounds, golf courses. *And friendly, gracious people!*

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LABOR'S POLITICAL MACHINE GOES TO WORK

1.

Two special Nation's Business reports tell how. A third report shows how labor opposition has been met successfully

ORGANIZED labor is ready to pour more than $3,000,000 and thousands of politically trained men and women into the coming primary and election campaigns in an all-out drive to:

▶Return a labor-friendly administration to the White House.

▶Elect a prolabor majority to the next Congress.

These are first steps toward the greater objective, which is to:

▶Get adoption of economic, business, tax, labor and other policies which will promote organized labor's aims.

The presidential and congressional elections will provide the first big test of labor's claim that the merger of the American Federation of Labor and Congress of Industrial Organizations into a 15,000,000-member colossus will increase political power. Before that, labor's political activity will be evident:

▶At the local and state levels, seeking election of friendly officials and legislatures and fighting against growing state restrictions on union political spending, right-to-work laws, and curbs on strikes, picketing, and other union activities.

▶In Congress, lobbying for union-desired action on social security benefits, public housing, taxes, Taft-Hartley, and other important issues.

▶In the courts, fighting prosecution of unions for alleged unlawful political expenditures and seeking favorable court decisions on controversial Taft-Hartley and other rulings.

▶In the executive branch of the government, working for favorable application of laws, for favorable policies and programs, and for appointment of friendly officials in labor and other agencies.

▶In the nation's plants, stores and offices, soliciting political contributions from millions of union members and confronting some employers with more aggressive union activity as a byproduct of labor's increased political strength.

NATION'S BUSINESS editors discussed labor's political plans with

$3,000,000 will back unions' all-out drive

the men who are making them. Here's how they shape up for '56:

Presidential race

The Democratic candidate will likely be endorsed again, whoever he may be. This will be according to precedent. The CIO, established in 1935, backed previous Democratic candidates Roosevelt, Truman and Stevenson. The AFL in 1952 also backed Stevenson. This was the first time the AFL had supported a candidate since 1924. Then it supported the Progressive Party ticket of La-Follette and Wheeler. Before the 1924 election, however, it backed Democrats Bryan, Wilson and Cox in the only other presidential endorsements in the AFL's 74 years.

AFL-CIO does not plan to back any particular candidates before the party nominations, but will try to get support for some of its views in the party platforms. This will be a departure from the past for former CIO leaders. They tried to get Henry Wallace renominated for vice president at the 1944 convention, but accepted Mr. Truman. This was the convention of the much-publicized "Clear it with Sidney" incident. It was reported, and denied, that the choice of Mr. Truman was cleared with the late Sidney Hillman, then chairman of the year-old CIO Political Action Committee, on orders of President Roosevelt.

Incidentally, the AFL-CIO wants the Electoral College abolished and the president elected by direct popular vote. The recent convention passed a resolution urging this change in election procedure.

Congressional races

Although supporting Democrats for Congress, with perhaps one or two exceptions, labor will not be satisfied with simply helping Democrats retain control of Congress, now held by a narrow 49-47 majority in the Senate and a 230-203 edge in the House with two seats usually held by Democrats temporarily vacant. It wants a prolabor majority, which it now does not have because of the combined opposition of those Republicans and Democrats who vote conservatively on labor issues. Most of these Democrats are from the southern states.

The first tests will come this spring in the Democratic primaries in the South, which amount to elections in most cases. Labor will figure in primaries outside the South, too, but those will be less vital to labor.

In the fall elections, the labor politicians will give only passing notice to campaigns in those states and congressional districts which go consistently Democratic or Republican by large margins—for example, in the South on the Democratic side and in the Dakotas, Vermont and New Hampshire on the Republican.

Instead, labor will try to show its muscle in those states and districts where the races might be close and there is a need to save a friend or a chance to oust a foe. Those which changed parties at the last election or in which the winner polled 55 per cent or less of the vote are considered to be close and are called marginal.

This year 18 Senate and 95 House races promise to be in that category. In two thirds of them the congressional seats at stake are held by Republicans. Before the last elections the marginal districts were split about 50-50 between the two parties. Labor political experts say that labor's effectiveness in recent campaigns is one reason fewer Democratic seats are involved in close contests.

Most attention will be focused on the 33 Senate races in which the Republicans must hold what they've got and pick up one more seat to control the Senate—if the Republicans take the White House again. They must gain two seats if they lose the White House.

Actually, AFL-CIO political strategists have tentatively narrowed down to ten the hot Senate races in which they will make a real fight.

They will go all-out to save three Democratic senators they fear can be beaten—Lehman of New York, Morse of Oregon, who was a Republican when last elected, and Magnuson of Washington.

They will also concentrate on trying to capture seats of seven Republicans they believe can be defeated—Bender of Ohio, Bush of Connecticut, Butler of Maryland, Dirksen of Illinois, Duff of Pennsylvania, Kuchel of California and Milliken of Colorado.

Labor will bear down especially hard in both Senate and House races which involve members of the labor, rules or other committees in whose work labor is most interested.

Endorsements

Some candidates will be endorsed and get direct financial assistance from the unions' separate political funds; some will be endorsed and get no financial aid because they don't need it or perhaps because labor feels that they don't have a chance and the money would be wasted; some will simply be supported, without formal endorsements; many cut-and-dried races will be ignored, especially where the expected winner is not on labor's side.

The AFL Executive Council, for instance, said this about '54: "We were successful in electing 18 of the 30 candidates whom we had supported for the U. S. Senate, and 154 of the 282 who were endorsed by state and local leagues for the House. In addition, 28 members of the House who were not endorsed formally but who received our support were elected."

Endorsements of Senate and House candidates will be recommended by state and local AFL-CIO groups and submitted to the Committee on Political Education in Washington for approval and possible financial aid.

COPE will examine a candidate's over-all voting record and will not oppose him, for instance, if he voted against labor on some remote issues like foreign aid and tax policies but went down the line on issues of more direct labor interest such as revision of the Taft-Hartley law in labor's favor. Nor will it support him if he voted right on the issues less important to labor but voted wrong on, say, Taft-Hartley and minimum wage.

As to candidates who have not served in Congress, James L. McDevitt, co-director of COPE, says COPE will examine their record in

LABOR'S POLITICAL MACHINE

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other public offices, their background, and their sponsors.

Indorsement of candidates by AFL-CIO has been questioned by some critics. President Eisenhower told the first AFL-CIO convention:

"You have a great opportunity of making your meetings the world's most effective exhibit of democratic processes. In those meetings the rights of minorities holding different views must be scrupulously protected and their views accurately reflected."

Issues

Voting records of senators and House members are kept on labor, social security, and on foreign and economic policy issues.

AFL Labor's League for Political Education, for instance, has published in a single document the voting records from 1947, when the AFL voted to set up its political arm, through 1954. It contains "right" and "wrong" votes by senators and congressmen on 30 issues on which the AFL took a stand. They cover various votes on Taft-Hartley, minimum wage, social security, aid to education, school and hospital construction, public housing, taxes, rent, wage and price controls, natural gas, use of atomic power patents, Point Four and military aid.

COPE plans to get up-to-date voting records into the homes of all of the 15,000,000 AFL-CIO members.

In the states

Labor's political activity in state legislatures will primarily be concerned with right-to-work laws, laws restricting union spending in state elections, increases in jobless pay, workmen's compensation and other benefit programs administered by states. In the state elections, labor will attempt to elect legislators who will support labor's legislative program.

Political spending

Money spent by labor organizations on political activity has been increasing. It can be expected to increase further as labor expands and intensifies its political programs.

It's impossible to arrive at exact figures, because labor spends money for political purposes in different ways, only part of which has to be reported to the government. From reports to the federal government alone, more than $2,000,000 was spent in 1952 and again in 1954. The $2,057,000 reported spent two years ago, without a presidential race at stake, was only $13,000 less than the $2,070,000 reported spent in '52 campaigning.

It seems reasonable to expect that more than $3,000,000 will be spent this year for all union political spending, reported and unreported.

Labor's political money comes from two sources:

1. From voluntary contributions—funds raised mostly from $1 contributions by union members for outright political action. These funds go to COPE, which returns 50 cents to the states for their own use.

This money is used chiefly for direct cash contributions to endorsed candidates or cooperating political organizations or for other direct political assistance to specific candidates in the way of paying for radio or TV time, paid advertising, election literature and the like.

Most contributions to a friendly senatorial candidate run between $2,000 and $5,000 and usually several organizations each give such amounts. Top contributions to a House aspirant have been $1,000, with most of them $500 or less.

Labor's political reports also show contributions of at least $70,000 to the Democratic National Committee and many state and local Democratic groups. An examination of the

LABOR'S POLITICAL SPENDING

National CIO Political Action Committee	$755,032
AFL Labor's League for Political Education	485,081
CIO United Auto Workers-PAC	272,714
CIO United Steelworkers-PAC	185,004
Railway Labor's Political League	82,940
New York State-PAC	78,722
AFL Ladies' Garment Workers Campaign Committee	44,827
AFL Machinists Non-Partisan Political League	44,011
CIO Amalgamated Clothing Workers-PAC	17,400
Trainmen's Political Education League	12,833
31 other labor political committees	79,049
1954 TOTAL	$2,057,613
1952	2,070,000
1950	1,618,000
1948	1,291,000

Note: The figures are those reported to the Clerk of the House of Representatives under the Federal Corrupt Practices Act in connection with federal elections held in those years. They include some duplication where one political committee gave funds to another committee to spend and both committees reported the expenditure. On the other hand, the federal law does not require reporting expenditures in primary or local and state elections, expenditures for so-called "political education," and expenditures by local and state committees which function within a state and are not a branch of an interstate organization.

The direct political spending which unions must report to the Clerk of the House may not come from union dues treasuries; most of it is raised through voluntary contributions from members.

Neither corporations nor unions may make direct political expenditures from their treasuries in either federal primaries or elections. Only five states prohibit union as well as corporation expenditures in non-federal elections: Indiana, New Hampshire, Pennsylvania, Texas and Wisconsin.

list of contributions by major political organizations disclosed only one to a Republican organization. The Trainmen's Political Education League reported giving $500 to the Republican State Committee of Kansas, a state which has failed to elect Republicans to Congress only once since 1940.

Most of labor's political money goes into the industrial states. A state-by-state compilation by James M. Brewbaker, general counsel of a new research organization, Association for Industrial Mobilization, lists these states in which more than $50,000 was spent in '54: New York, $136,907; Michigan, $116,091; Ohio, $97,965; Illinois, $89,828; California, $74,559; Pennsylvania, $66,070, and New Jersey, $55,199.

These kinds of expenditures in behalf of candidates in federal elections made by organizations which function in more than one state must be reported to the Clerk of the House in accordance with the Federal Corrupt Practices Act. The reports need not cover expenditures in primaries or in local or state elections. Union funds may not lawfully be spent these ways.

The labor organizations began forming separate political committees and raising voluntarily contributed funds with the setting up of CIO-PAC in 1943 after the War Labor Disputes Act, and subsequently the Taft-Hartley law, imposed restrictions against union political spending to match those which existed against corporations.

2. From union treasuries. Most of this comes from dues and is earmarked for political education. This includes activity such as distributing voting records of congressmen and senators, publicizing legislative and other political issues, getting workers registered, getting the vote out on Election Day, training union members in political work. These expenditures need not be reported under federal law and there is no reasonable estimate of the amount spent.

Some union members have criticized the expenditure of union funds to support political candidates as a violation of their constitutional rights, particularly when the workers may not be in sympathy with some of the candidates. Some, candidates for local public office themselves, have complained about part of their union dues payments being spent to support their opponent.

Legal tests

There have been several legal tests attempting to clarify which union expenditures in connection with political campaigns are "political" and thus barred by federal law when made from union treasuries. Another is now under way in Michigan where a federal grand jury indicted officers of the CIO United Automobile Workers for allegedly spending union funds unlawfully by endorsing candidates for Senate and House in radio and TV broadcasts financed by union funds. The union

COPE *will replace L.L.P.E. on new political posters like this one*

contends that the expenditure was legal and an exercise of the right of free speech.

In previous court tests, all won by the unions, the courts held:

▶The expenditure restriction does not cover the cost of printing regular union newspapers which endorse a candidate. Case involved *CIO News*.

▶It does not cover the cost of political radio and newspaper advertising where the union does not publish a newspaper and the radio and advertisements are normal channels of communication with the union members. This involved AFL Painters Union local in Hartford, Conn.

▶Nor does it cover the salary paid to a union official, part of whose duties involve political activity. This situation involved an AFL Laborers local in St. Louis.

2. Trained workers carry fight to grass roots

LABOR strategists are building a giant political organization which they hope:

▶Will reach from Washington down to the grass roots of America to get more industrial and office workers, farmers, small businessmen and other groups to vote—and vote the way labor wants.

▶Will get more friendly candidates on the ballot and elected.

▶Will be more successful in influencing official decisions and legislation after the elections are over.

This is part of labor's increasing emphasis on practical politics resulting from the AFL-CIO merger. It culminates a gradual shifting from the early days when CIO organized the Political Action Committee in a hurried effort to save the fourth-term election for President Roosevelt.

CIO-PAC in the beginning relied heavily on promotion techniques. The stress was on publicity, advertising, radio jingles, songs, slogans and similar ways of catching the voter's attention. Roosevelt was reelected in 1944 but the political lineup in Congress remained about the same.

Two years later, Republicans took control of Congress.

Control has shifted back and forth since then, but today a Republican occupies the White House and there are more Republicans on Capitol Hill than there were when CIO-PAC was set up in 1943 and the AFL established Labor's League for Political Education in 1948.

Labor now has political headquar-

LABOR'S POLITICAL MACHINE

CONTINUED

ters at the seats of government in Washington and many state capitals. The change in political action techniques is toward more practical, old-line political machine methods which labor hopes will be more effective. In other words, less drumbeating and fanfare and more emphasis on building a political machine and training workers to operate it. The program shapes up like this:

DIRECTING *labor's new political drive are two experienced trade unionists who have led past AFL and CIO political campaigns: James L. McDevitt, co-director of the new COPE, checking news ticker with Mrs. Margaret A. Thornburgh, Women's Division leader, and . . . .*

The political machinery

There are 41 labor political committees which, under federal law, reported spending $2,057,000 for direct political action in the 1954 congressional elections. The largest were CIO-PAC and AFL-LLPE which, as a result of the AFL-CIO merger, are now one organization—AFL-CIO's Committee on Political Education (COPE).

Other big ones: United Automobile Workers-PAC; United Steelworkers-PAC; International Ladies' Garment Workers Campaign Committee; Machinists Non-Partisan Political League; Amalgamated Clothing Workers-PAC; Railway Labor's Political League; Trainmen's Political Education League. One of the early organizations, Labor's Non-Partisan League, now functions largely as a legislative arm of the United Mine Workers.

AFL-CIO President George Meany is chairman of COPE, with the former LLPE and PAC directors—James L. McDevitt and Jack Kroll, respectively—as co-directors. Mr. Kroll will retire after the '56 campaign.

Former CIO affiliates continue to participate through the 46 state and 443 local PAC committees, with the individual unions collecting the $1 contributions.

These are sent to COPE, which keeps 50 cents and returns 50 cents to the state and local PAC committees for their use.

Former AFL members make their $1 donations directly to COPE, as they did to LLPE. COPE each month funnels half of the collections back to the AFL State Federations of Labor, which make further distribution to local AFL central bodies. LLPE used state and local AFL agencies as political branches, and they are merging as quickly as they can with CIO state and local bodies. There are nine regional field directors functioning as coordinators and troubleshooters.

COPE keeps complete records by districts on eligible voters, registered voters compared to union membership, shifts in voting trends, and other vital data.

The state and local groups will make recommendations for endorsement of candidates, subject to approval by COPE on the basis of the candidate's record, or his background if he has no record in public office.

Direct financial assistance to candidates will be made locally and from the national office, the latter sometimes supplementing local contributions.

Political education

The educational phase of labor's political program is paid for out of union dues funds and is carried on by the educational staffs of AFL-CIO and various large unions as well as by COPE and other political groups. Expenditures for this need not be reported.

Political education is carried on the year round in union newspapers; in special legislative conferences; in special classes in the many one and two-week summer courses conducted by unions on college campuses all over the country; in the distribution of the voting records of members of Congress; in the use of films, and in many other ways.

This educational activity is designed to motivate workers politically by impressing them with the idea that their wages, working conditions, economic status and success in dealing with management at the bargaining table are in many instances affected by political decisions of Congress, legislatures and administrative officials.

Union leaders propagandize, for example:

►That supplemental unemployment pay plans, like those negotiated in the automobile industry, can be nullified by unfavorable state action.

►That state legislatures can prohibit all-union shop contracts, thus allowing some employes to stay out of the union while receiving higher wages

JACK KROLL, *former director of CIO-PAC, who with McDevitt, former head of AFL-LLPE, hopes to build COPE into more effective political weapon for labor*

and other benefits claimed to have been obtained for the workers by the union.

▶ That a governor or a city administration can help break a strike through use of the National Guard or police action against strikers; that a judge can issue an injunction restricting picket-line activities.

▶ That living costs can be raised through tax and other legislation.

▶ That better housing and better schools will be available if sympathetic officials are elected.

In 1952, PAC had two series of TV films available for local sponsoring and COPE will have new ones this year. One was "Issues of the Day"; the other, "People's Political Poll."

Educational literature includes the voting record of every member of Congress since 1947 on issues in which labor had an interest. COPE will mail copies to the home of each of the 15,000,000 AFL-CIO members. The issues are not limited to Taft-Hartley, minimum wage and other direct labor matters, but include public housing, school construction, rent control, taxes, foreign aid and others.

Other literature covers registration requirements, labor's stake in the elections, and other pertinent subjects.

Training political workers

Labor is training political cadres to fill both campaign and legislative needs. The training is done in special training groups, in classes which are part of general labor education seminars, and in legislative conferences. For example:

Women union members and wives of unionists are being trained for political work.

The United Steelworkers conducts eight-week legislative schools for members under the direction of legislative representatives in each of the union's 28 districts.

In Texas, AFL-CIO and railroad unions are jointly sponsoring three-day legislative assemblies in 14 cities at which unions are urged to send delegates "for the purpose of study and training." The first, in Dallas, was at Southern Methodist University last fall.

In Arkansas, the CIO last year prepared a conference manual around five national legislative issues, and trained its Arkansas staff representatives as discussion leaders to run legislative conferences sponsored by AFL and CIO conferences in seven cities.

Various unions conduct one and two-week summer institutes on college campuses all over the country. Political education and political action techniques make up an important part of the curriculum. Last summer the United Steelworkers alone held institutes on 20 campuses with an average attendance of about 100 union members. The CIO Education Department sponsored 14 in cooperation with CIO unions.

Two basic training tools developed by CIO-PAC are a new political action handbook, "How to Win," for training and use by campaign workers, and a "CIO-PAC Handbook" on legislative issues for use by discussion leaders and writers.

In an introduction to "How to Win," Mr. Kroll says, "Our effort stands and falls not by what we say in our National PAC Committee meetings, not by the resolutions we adopt at our national convention, but what we do in the field.

"No chain is stronger than its weakest link. Our over-all effort can be no better and no worse than the work each of us does in the state, county and city, congressional district and local union PAC's."

"How to Win" is pocket size and profusely illustrated with pictures and drawings. The 12 chapter headings are:

"How to Get Started."
"How to Plan Your Meeting."
"How to Conduct a PAC Dollar Drive."
"How to Know and Be Active in Your Community."
"How to Organize a Precinct."
"How to Register Voters."
"How to Tell Your Story."
"How to Pick Your Candidates and Work With them."
"How to Get the Best Man or Woman Elected."
"How to Get the Family to Participate."
"How to Get the Vote Out."
"How to Be a Wednesday Morning Quarterback."

The legislative handbook is looseleaf and supplements are issued after each congressional session. Currently it gives the background, talking points, and quotations on 22 issues and, the instructions say, "will be handy in union meetings, PAC meetings, or when discussing politics with your friends and neighbors."

The index lists the issues alphabetically as: atomic give-away, civil rights, Eisenhower, foreign policy, government pay raises, Hoover Commission, housing, immigration and citizenship, minimum wage, natural gas, natural resources, Old-Age and Survivors Insurance, public power, Rural Electrification Administration, record of Congress, Salk polio vaccine, social security, Taft-Hartley, taxes, TVA, unemployment, and unemployment insurance.

The 11 pages on President Eisenhower lead off with his White House stag dinners and a breakdown showing that 294, or more than half of the 525 guests, were businessmen and only eight were union leaders. At that, there were more union leaders than Democrats (5) or church leaders (6). Included also are excerpts of various statements by the President on many subjects and reference to the White House squirrels which marred the White House putting green.

The United Steelworkers use a looseleaf "Legislative Manual" in training leaders in legislative activity. It includes material on legislative procedures in state legislatures and in Congress as well as on the legislative issues. To expose unionists to opposing viewpoints it quotes some material published by business organizations which express views contrary to labor's.

Labor's trained political workers make frequent calls on their congressmen and senators when they are home and, when necessary, also make trips to Washington to bolster the legislative efforts of labor lobby-

LABOR'S POLITICAL MACHINE

CONTINUED

ists permanently stationed in the capital. The latter include two former Democratic congressmen, Andrew J. Biemiller of Milwaukee on the AFL-CIO staff, and Thomas H. Burke of Toledo, representing United Auto Workers, and a former All-American guard at Notre Dame, Frank N. Hoffmann, chief lobbyist for the Steelworkers.

Labor is going after the women's vote in a big way. "How to Win" cites evidence that there are 2,000,000 more potential women voters than men, that women cast 52 per cent of the votes President Eisenhower got in 1952, and that fewer women are voting automatically as their husbands do.

Training Women

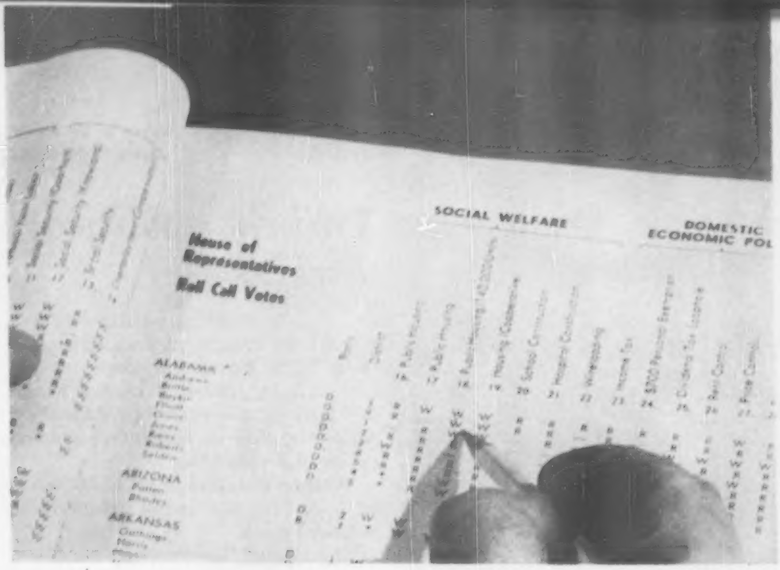
CIO-PAC last fall initiated a series of "Family Participation Conferences" to train women CIO members and wives of members for political activity in at least 19 states.

Three-day training sessions under the direction of CIO-PAC Field Representative Esther Murray, former candidate for Congress in California, have been conducted in Ohio, Maryland, Georgia, North Carolina and Michigan, and are planned in Pennsylvania, Illinois, Colorado, Utah, Texas, Louisiana and on the West Coast. Women from several states attended some sessions.

Women attending the conferences are expected to become leaders and interest other women in political work.

The women are taught how to get voters registered and to the polls; how to organize telephone committees, neighborhood house parties, door-bell ringing campaigns, baby-sitting teams and discussion groups of housewives.

They are also taught the do's and don't's in telephone solicitation, in how to ring a doorbell and talk politically to a busy housewife, in how to run a neighborhood political gathering, how to introduce a speaker and handle a speaker who arrives while another is speaking—what amounts to a list of Emily Post rules for women political workers.



VOTES CAST IN CONGRESS *since 1947 will be checked on labor's lists of "right" and "wrong" votes in deciding labor's stand on candidates*

CLOSE SENATE RACES EXPECTED

Seats up for election in states in which opposite party won in last Senate election in the state:

STATE	INCUMBENT	Percent of votes in state's last Senate election	
New York	Lehman, *Democrat*	60.4	Republican
Arizona	Hayden, *Democrat*	51.3	Republican

Other seats up for election in which last Senate winner in the state won with 55 per cent or less of total vote cast:

STATE	INCUMBENT	Percent of votes in state's last Senate election	
Oregon	Morse, *Democrat*[1]	50.02	Democratic
Ohio	Bender, *Republican*	50.1	Republican
Colorado	Millikin, *Republican*	51.1	Republican
Connecticut	Bush, *Republican*	51.3	Republican
Pennsylvania	Duff, *Republican*	51.8	Republican
Iowa	Hickenlooper, *Republican*	52.3	Republican
Maryland	Butler, *Republican*	52.5	Republican
Indiana	Capehart, *Republican*	52.7	Republican
California	Kuchel, *Republican*	53.9	Republican
Illinois	Dirksen, *Republican*	53.5	Republican
Missouri	Hennings, *Democrat*	54.0	Democratic
Utah	Bennett, *Republican*	54.2	Republican
Wisconsin	Wiley, *Republican*	54.3	Republican
Kentucky	Clements, *Democrat*	55.0	Democratic
Kansas	Carlson, *Republican*	55.0	Republican
Nevada	Bible, *Democrat*	58.1	Democratic[2]

[1]Senator Morse ran as a Republican when he last won in 1950.
[2]Expected to be closer than margin indicates because Senator Bible is not seeking re-election, and a Republican was elected to the state's only House seat in 1954.

3. How to win against organized labor opposition

SEVEN RULES for effective political action against organized labor opposition are suggested by many past experiences across the country. They may serve as guides for those who are seeking ways to meet and counteract labor's increasing political activity.

They do not provide all the answers. Nor will they prove effective all the time, in all contests, or in all localities. But victories scored in many contests reveal that, with good candidates and good issues, labor opposition can be met by:

- Appealing to workers directly, rather than through union leaders.
- Facing the issues squarely.
- Capitalizing on voter sentiment and good judgment.
- Building a good working organization.
- Getting an early start.
- Reaching and trying to motivate all voters, particularly those already sympathetic.
- Raising adequate funds.

Here is how these strategies work:

1. ***Reach workers and other voters directly;*** don't try to go through top union leadership to get support of union members.

Most publicized and effective use of this technique was by the late Sen. Robert A. Taft—anathema to union bosses because of his sponsorship of the Taft-Hartley labor law. The Ohio senator swamped the united opposition of labor organizations in winning re-election in 1950. He pitched his campaign to reach the individual workers and union members, shaking their hands in plant after plant all over the state, unmoved by scattered incidents of heckling.

The same kind of campaign was used successfully two years later by Sen. William A. Purtell of Connecticut who, as the head of a nonunion industrial firm and former president of the Connecticut Manufacturers' Association, had plenty of union political opposition. Senator Purtell, a Republican, won election to the Senate seat to which he had been appointed just two months before and which had been held by the Democrats for years.

Answering CIO claims of a "united labor vote," Senator Purtell repeatedly told meetings of workers that there is no such thing.

"The average laboring man is willing to take orders or direction from his union leaders with regard to normal union activities," according to John M. Hurley of Hartford, who managed the campaign of Senator Purtell and other successful Republican candidates in Connecticut. "But neither the union leader nor his employer actually control his vote. More and more, the working man is using his own good judgment when he goes to the polls."

Bypassing union leadership to reach individual workers will likely be a key campaign stratagem for many Republicans this year.

2. ***Face the issues squarely; don't be evasive.***

Senator Taft made no bones about the Taft-Hartley law. He defended its principles strongly while recognizing that it wasn't perfect in detail and inviting its improvement.

Senator Purtell faced up to union criticism of his industrial and manufacturers' association background. His main points: He always had good relations with the 300 employes in his Hartford metalworking plant—so good that they did not feel they needed a union; it is to the workers' advantage to have a senator who as an employer of labor has an understanding of their aspirations, needs and problems.

Vice President Richard M. Nixon, in winning election to the Senate from California—a state with strong left-wing elements—did not equivocate his role as a congressman who exposed Alger Hiss's collaboration with communists and supported Taft-Hartley.

In defeating the CIO-sponsored referendum to boost Ohio unemployment compensation benefits to a maximum of $59 a week for 39 weeks last November, the Ohio Information Committee, Inc., organized by businessmen and business organizations, laid the issue on the line: "Too much pay for no work."

OIC stressed logic in seeking popular support for its opposition to a proposal which would seem to give workers something for nothing at employers' cost. It avoided the labels "socialism" and "communism" which have been used so often in the past to attack similar issues.

While approval of supplemental unemployment benefit plans of the type negotiated in the automobile industry was an integral part of the referendum proposal, OIC hammered away at the main issue: An attempt to raise state unemployment compensation higher than the Ohio Legislature had just approved and far above what any other state provides. The supplemental unemployment benefit plans did not require voter approval; they could be made effective by a ruling of state officials or legislative action.

Further, OIC recognized the contest as one between the Ohio CIO and the Ohio Legislature which had earlier rejected the CIO proposal, and did what it could to get that across to the public. It took care to avoid any public impression that this was a fight between employers and workers. State Representative Horace W. Troop, chairman of the House Industry and Labor Committee which pigeonholed the CIO proposal when it was in the legislature, headed up OIC.

The proposal was rejected by almost 63 per cent of

the voters and by a majority of more than 600,000 votes—margins which neither Senator Taft nor President Eisenhower achieved when they were last on the Ohio ballot in '50 and '52, respectively.

3. *Try to capitalize on the sentiments and good judgment of the voters.*

A survey of worker attitudes toward unemployment compensation showed, among other things, that a majority of workers believed that, if jobless benefits were too high, many workers would rather stay home than work, and that high unemployment pay would benefit shiftless workers more than those with long seniority.

Ohioans opposed to the CIO unemployment pay proposal directed their arguments to take advantage of these worker sentiments. The point about "too much pay for no work" is an example.

It seems evident that voters resent dictation and domination by any group, and that union political objectives will fail where the voters can be shown that they are strictly union aims being forced on the public.

In the unemployment compensation referendum fight in Ohio, opponents apparently won many "No" votes by managing to tie the proposal to the CIO.

In '50, Senator Taft labeled his opponent the candidate of the labor unions.

Thomas E. Shroyer, who was Senator Taft's labor adviser in the Senate and in his re-election fight, says, "Ohio has twice demonstrated that, if the other side can be completely identified with labor union leaders, it can be beaten."

4. *Build a good working organization.*

The fight against the CIO referendum for higher unemployment compensation was led by the Ohio Information Committee, incorporated under Ohio laws. Executives of 12 statewide organizations made up the Board of Trustees, which planned strategy. A smaller executive committee handled business details. Local committees, organized in 80 of the 88 counties, supplemented statewide activities. A speakers' bureau arranged appearances of trade association and business executives, state legislators and others before many groups.

Result: The CIO proposal was approved in only seven counties, in six of which there was no OIC local group. It was defeated in all but one county where there was a local opposition group and in two more where there was none. Only one of the nine leading industrial counties went along with the CIO.

Besides a candidate's own committee, it helps to have active support from many groups and organizations. Scores of committees sprang up to help Senator Taft fight organized labor opposition, including Druggists for Taft, Grocers for Taft, Doctors for Taft, Optometrists for Taft, and even Labor League for Taft, composed of heads of unions.

Interested, active and effective leg-work organizations are an absolute essential to the success of a political campaign—"just as the salesman has to clean up the job begun by advertising and sales promotion," says one business executive experienced in competing with union leaders for employe loyalty. He adds, "The clean-up work by the local leg-work committees is the final determining factor after all possible has been accomplished by the mass communication process."

5. *Start early to build an organization,* get voters registered, discuss the issues.

Officials already in office, through their decisions, votes on legislation and public statements, are building the record on which they will seek re-election. Committees can be at work, too, on registration, lining up good candidates, distributing literature, gathering potential campaign material, planning strategy. The first meeting of business groups to fight the U. C. proposal in Ohio was held in May, 1954, a few days after the CIO initiated its petition. Under Ohio law, such petitions go on the ballot for approval by the voters only after the legislature rejects them. The legislature rejected the CIO proposal a year later, and the referendum fight was on. The opponents were ready.

6. *Reach and try to motivate favorably all voters;* particularly do not neglect those who may already be sympathetic.

Besides utilizing mass communication media such as TV, radio and the press, you can reach special groups through speakers at meetings, luncheons and other gatherings; through special-group committees; through mailings to lists of executives, stockholders, supervisors, small businessmen, and other groups; through insertions of political literature in pay envelopes.

The Ohio Information Committee contacted retired people and workers not covered and therefore not eligible for unemployment compensation but who, as consumers, would have to bear some of the employers' increased costs. Pamphlets were prepared with special appeals to factory workers, to farmers, to women, to small businessmen, and others.

7. *Raise adequate funds from as many sources as possible.* The more money you have, the more you can do to promote your cause. With more people contributing, more will be actively interested in the campaign. As one executive puts it:

"Too many politicians regard unions as the only source of money in big enough hunks to be effective in an election. The answer is just the opposite. If we will alert enough people to collect enough money from individuals on a legal basis, there will prove to be not too much trouble in getting the required amount, and in the process we will have a lot of people interested."

The many groups supporting Senator Taft spent about $1,000,000 in his re-election fight, but the Senator later told a Senate investigating committee that it was necessary in self defense because his opponents spent three times as much besides invading Ohio with outside speakers in the effort to unseat him.

OIC reported spending $400,900 in the Ohio unemployment compensation fight while the labor group, called the Committee to Protect Living Standards, reported expenditures of $330,500.

Raymond S. Livingstone of Cleveland, a leader in the local OIC group, does not fear labor's political machine. He believes it will collapse.

"Labor politics will destroy itself," Mr. Livingstone, vice president of a large firm which Walter Reuther's United Auto Workers has about given up trying to organize after several futile attempts, told NATION'S BUSINESS. "I think it will boomerang. We don't need any panacea or antidote for it, other than sound political organizations in which groups can get together on sound principles and work for sound objectives." END

REPRINTS AVAILABLE *The three articles under the title, "Labor's Political Machine Goes to Work," may be obtained in a single reprint for 15 cents each or $15 per 100 including postage. Order from Business Manager, Nation's Business, 1615 H Street, N.W., Washington 6, D.C.*

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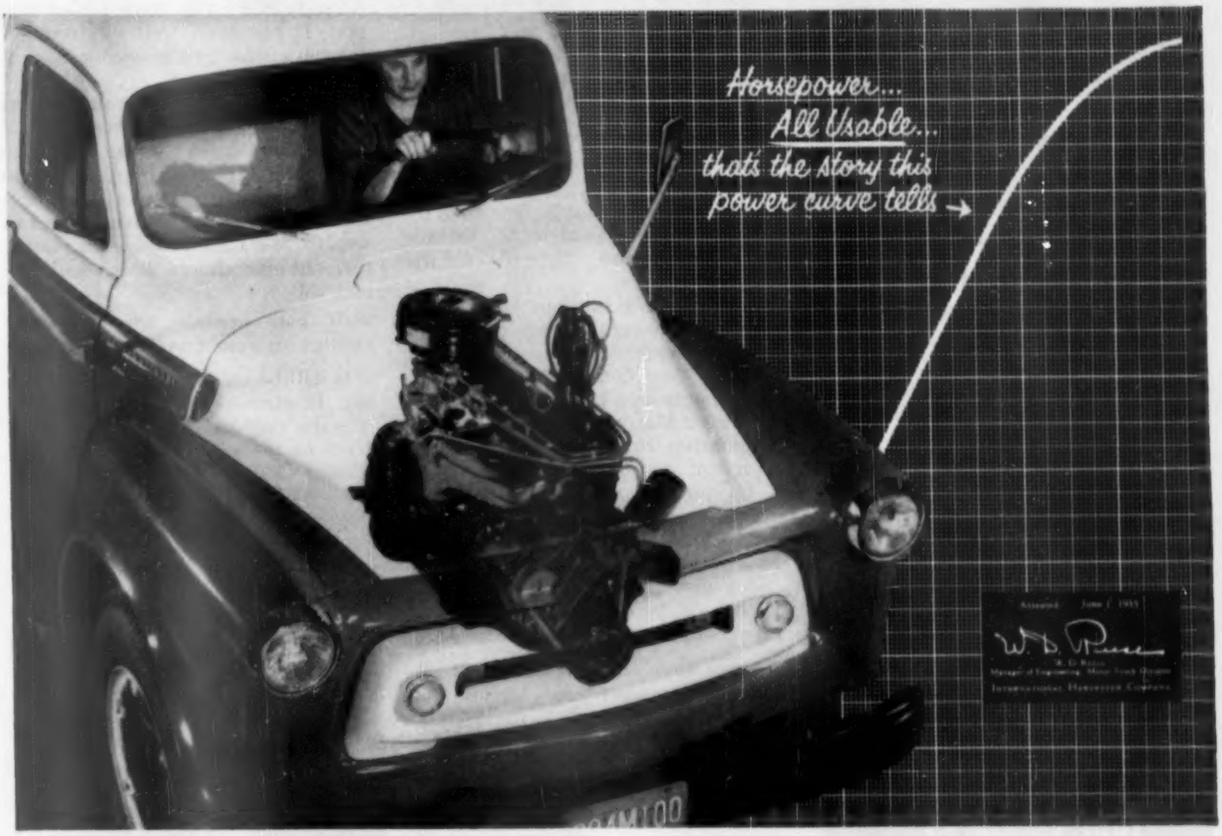

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SCHOOLS

continued from page 29

How many school age children do you have in the state?

There are 1,450,000 this year. In addition, about 400,000 attend parochial or private schools.

How fast is the number growing?

In 1952 there were about 18,000 new pupils. The next year the number jumped to about 50,000, then up to 60,000. Now it's about 55,000 new pupils a year and will be that for the next six years.

I want to point out something. We're a growing state, whereas many of the states which proclaim so loudly that they can't meet school requirements aren't faced with such an increase. Many states are static in population. Some have lost slightly in recent years.

In spite of costs we are going to continue to keep the standards of education just as high, now that we have more children, as we did when there were fewer children. Because we have more children we shouldn't give them less opportunity.

Do you have any children not attending school?

Yes. Most of them are handicapped in one form or another. We don't have a lack of attendance due to a lack of facilities or the lack of a school program. Even for the handicapped, we are providing special schools in some areas. It's a relatively new program.

Are those special schools state owned and operated?

Dr. Nickell: They are operated by the local districts, with a portion of the excess cost paid by the state. We have about 6,500 of that type of youngster in these special units. It's estimated that there are about that many more who don't have those opportunities.

We have a few children in hospitals who cannot attend school. In some instances the school sends a teacher into the hospital to spend time each day with the youngsters.

Do you levy a property tax for state purposes?

Gov. Stratton: No. It's still on the books. The governor, treasurer and auditor could meet today and levy that tax, but each year we decide not to. So, unlike most states, we levy no property tax for state purposes. We reserve that for the local communities, cities, schools, counties. Still, it's becoming difficult in some areas for property taxes alone to support those local functions, particularly schools and city functions.

In the past session of the legislature we gave the cities the right to levy without referendum a half cent city sales tax. It has done wonders. Already 639 cities have levied that tax. It has been well received, although at the time it was quite controversial.

Here's the rub: Under our present constitution and our present type of assessment, there's great disparity and great difference in ability to support schools even in communities that might be relatively equal in wealth. We have proposed a constitutional amendment which will correct this.

Will you explain the proposed change in your constitution?

It will be on the ballot in November. It gives us an opportunity to classify property for tax purposes, gives us more flexibility. The 1870 Illinois Constitution—based in that time chiefly on an agricultural economy—makes it almost impossible in some areas really to tax fairly.

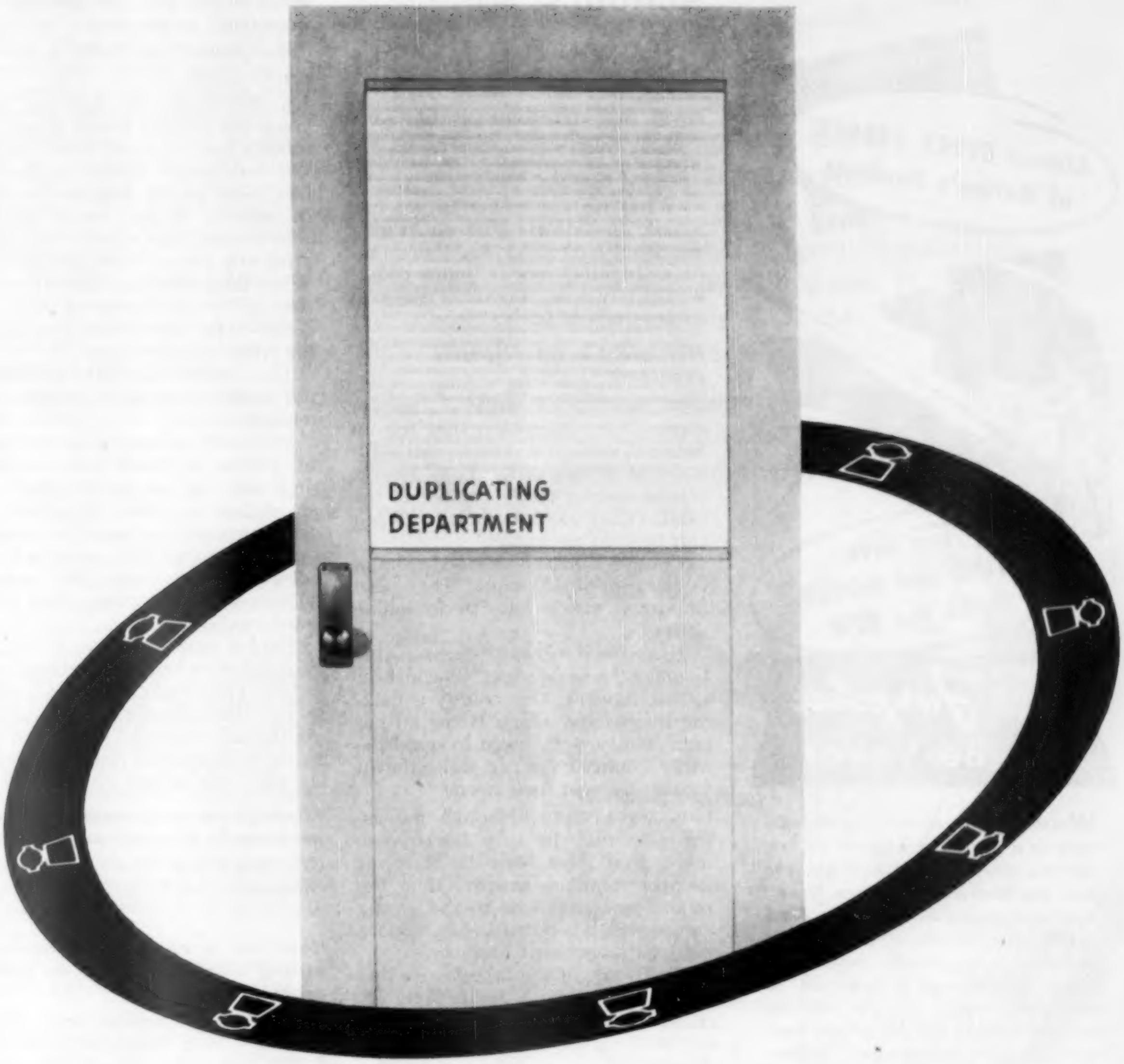
Under the present setup there is a heavy burden on tangible property

VERNON L. NICKELL, Illinois Superintendent of Public Instruction, says: "There's no need for federal funds to buy school buildings. State can handle it."

such as real estate. In effect, the greatest burden is on about a fourth of the actual property owners.

Even our so-called sales tax in Illinois is not a sales tax. It had to be jerrybuilt as an occupational tax for the privilege of doing business. Many sales transactions are exempt. If we had a straight sales tax, we'd probably take in about 25 per cent more than we're getting today on the same rate.

Under the old revenue article, two



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things had to be done. First, we must tax everything at the same rate. Second, the legislature was given the power to tax the privilege of doing business.

What we are trying to get is a simple amendment that would give, in effect, a broader and fairer tax base. In other words, more people would pay less, spreading the cost of government fairly.

How great is the disparity problem?

DR. NICKELL: County X, for instance, has a township that has an assessed valuation ratio to real valuation of 30 per cent. They have a school district that's bonded to the limit. They need buildings. What can they do about it?

County Y has an assessed ratio of 60 per cent of real value. They need buildings, maybe have to do double shifts.

Have these two districts been able to make the same effort? The answer is they haven't. One county is making double the effort. If the 30 per cent county were raised to equal the other county's 60 per cent, they'd be able to meet their needs.

GOV. STRATTON: Although the assessment may be very low in one area, that area can be just as wealthy, or more wealthy than the adjoining county—or the adjoining state—which is operating on a more realistic assessment basis.

That's one of the fallacies in this whole question of valuation. A change in the constitution will permit us to correct many of these situations.

What is the average level of education in Illinois?

In general the level is at least eighth grade.

DR. NICKELL: In the past eight years the holding power of our high schools has increased tremendously. We have made studies to find out how many pupils drop out and why. In one city 50 per cent of the kids who started high school were dropping out before their senior year. When the authorities found out why, they improved the curriculum. Already 70 per cent are staying in, and it's going up every year.

The schools have been at fault in not studying the needs of their communities.

We made a survey in one town by getting in touch with as many drop-outs as we could find. We asked them why they left school. We could anticipate some of the answers, but the thing that surprised the school officials was the answer, "There wasn't anything that interested me."

Twelve years ago one of our industrial cities had no vocational education. They hadn't thought it worth while. But industry was demanding vocational training. A survey was made to determine needs. Now the schools train people accordingly.

Findings for one community don't necessarily fit another?

GOV. STRATTON: That's right. Each community has to make its own survey.

How can a community maintain strong public interest in school problems?

DR. NICKELL: There are many ways. We have long depended upon the P.T.A., which is one of the arms

Illinois trains teachers in four colleges

through which this can be done. But there are other ways. The school head or board member should, from time to time, appear before various community groups to keep people informed about school problems.

Gov. STRATTON: I think we should add, too, the part that civic groups play. State and local chambers of commerce have done magnificent work in research, in supporting programs, and so on. It's encouraging. The Illinois State Chamber of Commerce has been particularly helpful. They have a special committee which conducts public discussions on these problems.

DR. NICKELL: Another thing they have done is to encourage young people to get into the teaching profession.

Gov. STRATTON: Also, they have been helpful in getting groups that might otherwise be against tax increases or bond issues to recognize what it means to their industry and to their employes to put in educational improvements. I think they've been outstanding in that regard.

DR. NICKELL: The U. S. Chamber of Commerce, in the latter 1940's, made a national survey. They found, beyond a shadow of a doubt, that where the level of education was high, the standard of living was high, wages were good, everything was good. Where the level of education was low, living standards were low, wages low. It's money in the pockets of business to have good school systems.

What is the average number of pupils per teacher in Illinois?

In elementary schools, it's about 28, although some classes have as many as 50. We count everyone in this average—office workers, custodians, administrators and so on.

In the high schools, it's 20. The bulge in population hasn't yet reached the high schools. When it does, we will be ready.

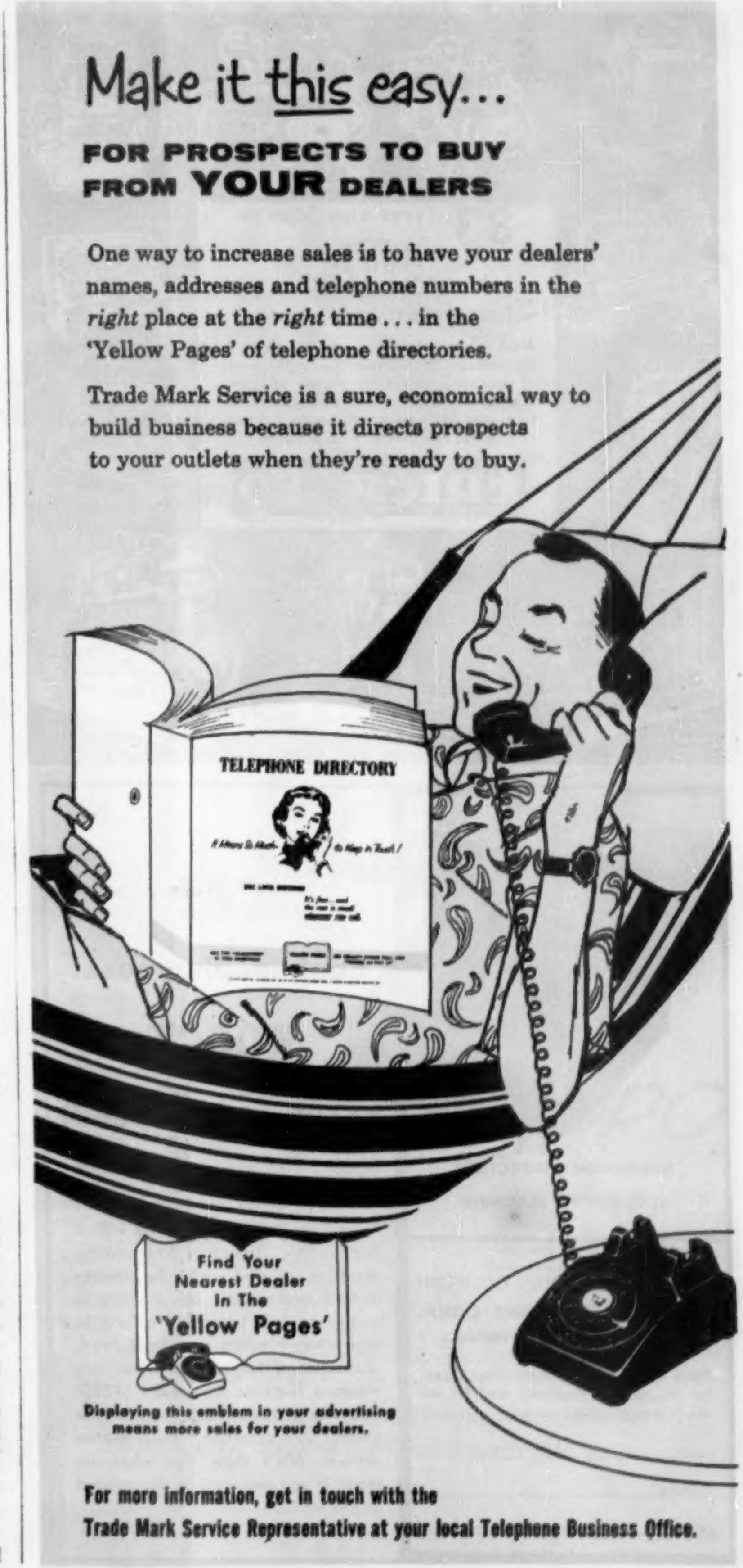
What's the current operating expenditure?

Gov. STRATTON: Three years ago the equalization level was about $160 per pupil. That was the minimum guaranteed by the state equalization fund for every child. We raised that to $173 and this year we brought it up to $200 per pupil.

That doesn't mean that more isn't spent. That's just the minimum to be spent on every pupil. The range is great. The highest per capita cost is something more than $1,000 per child. The average is about $350.

Will you explain the state equalization program?

The state insists that every child



be given certain opportunities. In those areas where, for various reasons, it is impossible to raise sufficient funds, the state makes up the difference. If a school district, say, could raise only $170 per pupil through local taxes, the state provides $30. There are many districts where the state pays only the flat grants.

We hope, eventually, that this fund can be greatly improved. It's not perfect. There's still a question whether some districts already making a maximum effort should have to pay more to help support districts that could do more but don't.

How much money is involved?

It's $201,000,000 for this biennium. In the past three years we've just about doubled the fund.

Do you expect the fund to increase?

Oh, yes. Because we are getting about 55,000 new students each year.

Looking to the future, what are you doing to train teachers?

We have four colleges devoted to the teaching profession and, in addition, we have the educational departments at the two state universities. Also, in recent years the state has started to pay a large part of the cost of the Chicago Teachers College. Chicago teachers are trained there, and even though we don't own the institution we contributed about $3,000,000 this biennium.

As for the state teachers colleges, the budget has been tripled over what it was in the '53 biennium. It's more than $9,000,000 now for new construction. We expect to be ready for expanding enrollments in the future. We're also increasing considerably the operating budget. That's $19,187,000.

We are getting unusually large freshmen classes at the teachers colleges. Altogether we have about 11,000 now enrolled in the four-year teacher training courses. I think it's a healthy sign. Part of that is due to facilities and part is due to help being given by organizations such as the chambers of commerce to make the profession more appealing.

Are teachers' qualifications being maintained?

DR. NICKELL: We have continued to raise requirements. To be permanently certificated in Illinois, a teacher must have a bachelor's degree. A temporary certificate can be issued after two years of college

training, provided the teacher passes an examination. That certificate is good for four years, but additional schooling is necessary.

We also have an emergency type certificate for extreme cases where a legally qualified teacher can't possibly be found. These are issued, after examination, to persons with one year of college training. The certificate is good for one year. We have only about 100 of these. We have about 52,000 fully qualified teachers.

Will you explain the teacher retirement plan?

The teacher puts in six per cent of her pay, which is matched by an amount equal to 8.4 per cent put in by the state. The maximum salary a teacher can pay on is $6,000. If the teacher teaches long enough to meet all the requirements, she can retire on a maximum of $350 a month. The minimum at the end of 40 years of service is $1,600 a year.

The Retirement Board has two members elected by the teachers themselves and two appointed by the governor. I am ex-officio chairman of the board. The board has the responsibility for keeping the retirement fund — now approximately $80,000,000 — invested and we have to earn three per cent.

All public school teachers in the state outside Chicago are eligible?

GOV. STRATTON: They don't have any choice. It is compulsory now.

Does the state support a junior college system?

It does. For the first time, in this biennium, the state is starting to support the junior college system by flat grants of $100 per pupil per year — about $2,250,000 in this budget.

We are doing that on the theory that it will relieve some of the pressure on other state-supported colleges and will give better opportunity to some youngsters who otherwise wouldn't get any college training at all. There are now 11 of these junior colleges. The $100 per pupil will help the local communities to expand the system.

I might add, too, that Illinois has a strong private college system. Only about 35 per cent of our teachers are trained in state colleges. The others are trained in private colleges.

END

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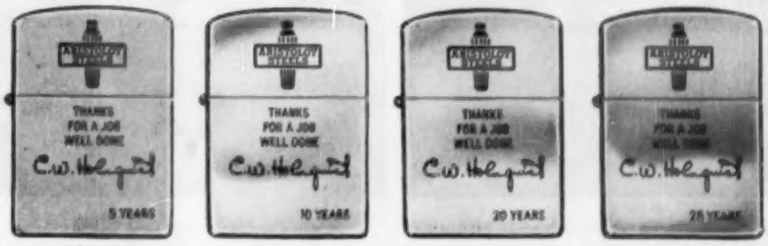

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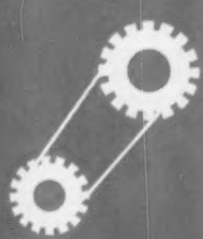
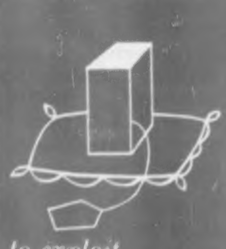
6
principal reasons why firms develop new products

to meet competitive pressures



to utilize productive facilities



to exploit new market opportunities

MANY of the products that will compete with your business five to ten years from today are only infants now, and some of them have yet to reach even the idea stage.

This means that you must be prepared not only to keep up but to move ahead in the race to develop new products.

The race is being run with more vigor now than ever before. A major share of the $2,500,000,000 which industry is pouring annually into research is earmarked for development of new products—products which will make their appearance next year, the year after next, and the year after that.

Alan Smith, new products expert on the staff of Arthur D. Little, Inc., of Cambridge, Mass., the industrial research and engineering company, estimates that industry spends $1,000,000,000 a year for new product development.

Evidence of industry's interest in the new product is plentiful:

▶ Attendance at conferences on new product research and development is running far ahead of even the most ambitious forecasts.

▶ Government agencies, trade associations, private research and management consulting firms report a continuous and swelling stream of inquiries from large, medium and small businesses seeking new product information.

▶ Applications are piling into the U. S. Patent Office, reflecting the restless inventive energy behind the new product boom.

▶ There has been a steady increase in the number of business mergers and acquisitions prompted by the corporate desire to diversify and expand present product lines.

No one knows exactly how many products are introduced each year, but anyone who has piloted a shopping cart through a supermarket, strolled through the corner drugstore or glanced at the new product pages of trade journals knows that the number is big and getting bigger all the time.

Hilton & Riggio, Inc., a New York advertising agency, conducted a survey among 200 large manufacturing concerns and found that more than 80 per cent of them have one or more new product ideas in the hopper at all times.

"The pressure is terrific," says Peter Hilton, president of the surveying firm. "In fact, new products are being developed much faster than business and the public can absorb them."

Mr. Hilton possesses a good yardstick with which to measure this activity. The New Product Institute

which he established three years ago at Irvington-on-the-Hudson, New York, as a clearinghouse for new product information, reports that requests for material on new products and processes are pouring in from all points of the country, and from Canada, Europe and other places as well.

"The new product boom is really international in scope," Mr. Hilton observes. "Foreign businessmen want to see what kind of product ideas we have available in this country for possible licensed use abroad, and our own people want to know what foreign countries have to offer."

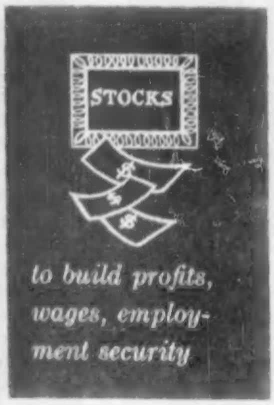
These are some of the principal reasons why firms are going in for new product development (new as used here, means entirely new products or existing products which have been improved):

1. To meet competitive pressures: "The competition has brought out a better mousetrap and will usurp our markets unless we respond with an even better one."

2. To utilize productive facilities and smooth out seasonal fluctuations more fully: "We have idle machinery in the plant that should be put to work making items for winter use in the summer and items for summer use in the winter."

to boost lagging sales of present line

to maximize output of sales force



to build profits, wages, employment security

3. To take advantage of new market opportunities: "The number of persons in the middle income bracket is increasing and we can sell them an upgraded product."

4. To boost lagging sales of existing products: "We have no alternative but to introduce a new or substantially improved product."

5. To maximize output of the sales force: "We can give the salesmen in the field something new to push without diminishing sales of our established products."

6. To build profits, wages, employment security for long-term growth: "We owe this to our stockholders, associates and employes."

There are other motives, of course. Constant research and development in new products is simply good business. A classic proof of this is the giant, research-minded pharmaceutical industry which estimates that 60 per cent or more of its present-day sales and an even higher percentage of its current profits are accounted for by products which it did not have five years ago. (Du Pont says that by 1970, 60 per cent of its income will come from products not yet invented or now in the early developmental stage.)

Some manufacturers are drawn into new product development in the hope that a new product will reduce their fabricating costs. Others see in diversification a hedge against recession, since companies built around the sale of one product usually fare worse in times of recession than those with several irons in the fire. Obsolescence spurs still others into a search for new products. The fact that some expenditures for product research and development can now be written off for tax purposes as current expenditures or amortized over a period of at least five years is yet another compelling factor.

Furthermore, examples of success encourage new product risk-taking. The new product is, after all, at the heart of most industrial success stories, and few people are more aware of this than those responsible for directing young, growing companies.

Among the outstanding large firms which product research and development have built are du Pont, General Electric, Monsanto, and National Lead. The last-named began operations 65 years ago as a manufacturer of white lead pigments for paint. Today, as a result of research and development, it makes hundreds of products, including such strange bedfellows as castor oil, titanium, and locomotive bells. This search for new and better things has enabled National Lead to boost its profits more than 400 per cent in the past ten years.

The road to success through new product development is not always smooth, however. In fact, there is impressive evidence that the majority of new products placed before customers in the consumer and nonconsumer goods fields fail to survive. The ratio of success to failure for large companies with well muscled research staffs is generally agreed to be about one success in five tries. This is probably ten times better than the new product record of small businesses.

No matter what the ratio of success to failure may be, it is clear that new product development is not something to be entered into without a sober consideration of the possible pitfalls. Product failure may spell company failure.

But failure need not result—especially if cautionary steps are taken before the new product is exposed to the tornadic forces of the marketplace. Here are some steps which management leaders consider indispensable to the successful development and marketing of new products:

Shake down the product idea: Make sure that the new product offers some clear advantages over existing products in its line. Ideally, it should cost less to produce, last longer, give the consumer something he cannot get elsewhere. Don't tool up until you are sure the item is needed.

One manufacturer who failed to take this precaution learned its value the hard way. He developed a household appliance that sold for $1.49, put it into volume production, had it distributed nationally. The product failed to move. Then, when it was too late, the manufacturer learned why. A similar item selling for 39 cents had been in distribution a year before and had been withdrawn because of lack of consumer interest.

Determine the product's relationship to your total operation: Generally, it is better to concentrate on making products related to your present product line. Doing this can save costly retooling expenses, the need to re-educate the sales force, the necessity of hiring workers with skills different from those already on the payroll.

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petitively: This is where pricing enters the picture. The new product that can be sold at a premium price is the exception. Therefore, you should make certain—in advance—that you will be able to sustain price cutting by competitors, have a broad enough margin between manufacturing costs and sales price to cover distribution, sales, advertising, retailer incentives, and other factors.

Beware of timing: A headstart on the competition is desirable. But some manufacturers, eager to get their new product into distribution, skip the market test only to discover that demand for the product does not come up to their expectations.

Latecomers to the Davy Crockett sales field have found that such fads are short-lived, and that only the early birds in craze selling do well.

Thresh out the financial details: You must know that your company has or can lay its hands on financial resources needed to put the product across. This is vital since in almost every instance manufacturers have learned that it cost more to put the product across than they anticipated.

Get the bugs out of the product: This is the job of the research department or the product engineers hired to handle the new product. Thorough-going laboratory tests should be made of all new products before they are placed on the market.

The maker of a new shaving preparation learned this lesson. He hurried his product onto the market without adequate research, suffered a severe financial loss and had to withdraw the product after purchasers discovered that it dried out in the tube and caked solid before it was half used.

Manufacturers list the following factors as the most important causes of new product failure:

1. Lack of a well-thought-out marketing program.
2. Lack of pretesting of product with consumers.
3. Lack of market test.
4. Insufficient product research.
5. Lack of pretesting of packaging.

There are other considerations, too. Some of them are elementary: At the earliest stage, for example, an attorney should determine whether the product is patentable, whether or not it infringes on any previously patented article, insure that it is protected from possible patent infringement in the future.

Another essential preliminary step is a check to see if states on your distribution timetable have laws restricting sale of the new product, or the manner in which it may be advertised or displayed. Many states have laws that specify what may and may not be shown in advertising and display material, especially where alcoholic beverages are involved. An attorney can tell you where you stand on laws dealing with copyrights and testimonials.

The attorney should also examine the text on packages and labels, sales agreements and all literature pertaining to the new product to make certain that it does not violate state or federal laws.

If the product is to be sold from door to door it must be remembered that some municipal ordinances ban or limit this kind of selling. Trade associations may be able to help at this stage.

Guidance on the steps which a firm should take to insure that its new product will have a fighting chance to survive a war in which the mortality rate is high is available from two principal sources—the private management consultant and research firms and government.

While private research organizations offer a tailor-made, confidential service, government agencies extend nonconfidential but nonetheless valuable assistance.

One booklet, published by the Small Business Administration, even outlines methods for scientifically evaluating the success or lack of success of the new product venture. Another explores techniques of locating ideas for new products. (A few good sources: expired patents, research and engineering staffs, employe and customer suggestions, inquiries or complaints.)

Both the U. S. Department of Commerce and the Small Business Administration are equipped to handle inquiries on product research and development on a free-of-charge basis. For information write to the Products Assistance Division, Small Business Administration, or to the Office of Technical Services, U. S. Department of Commerce, both Washington 25, D. C.

Obviously, bringing as much knowledge and experience as possible to the problem of new product development is the surest way to minimize the many inherent risks. Firms which approach product development with this understanding have a better chance to succeed than those which rush in, ill-prepared and without direction. The satisfactions and rewards which will arise from success with a new product will make the investment in caution seem, in retrospect, a small one. END

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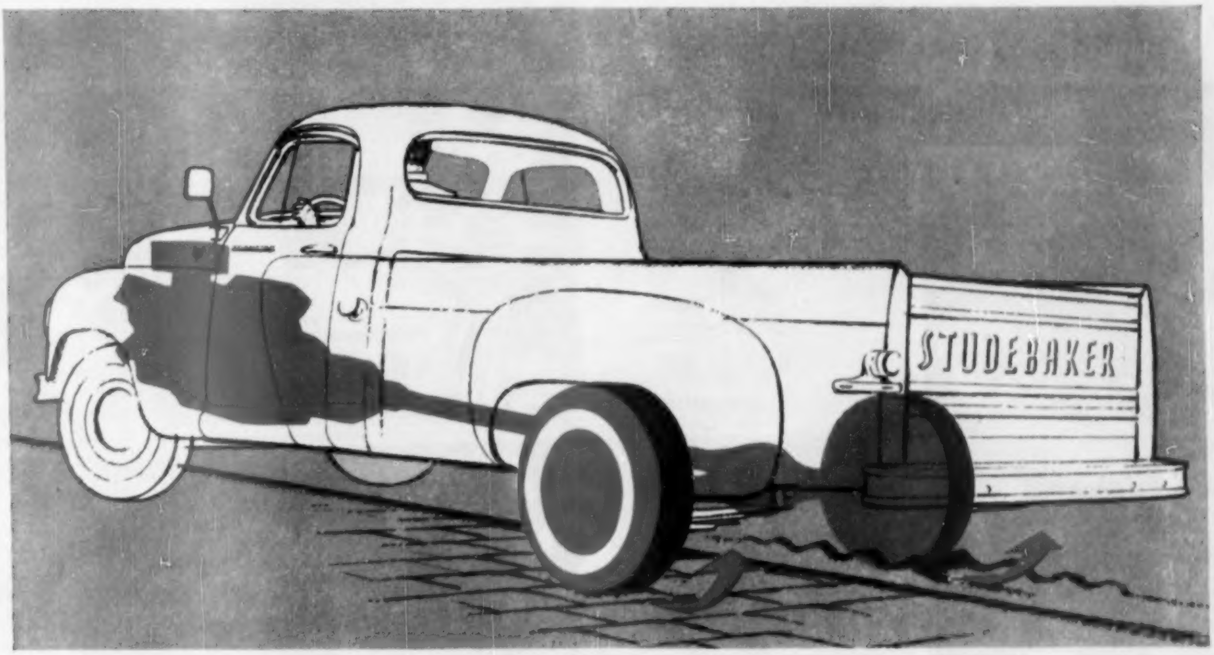

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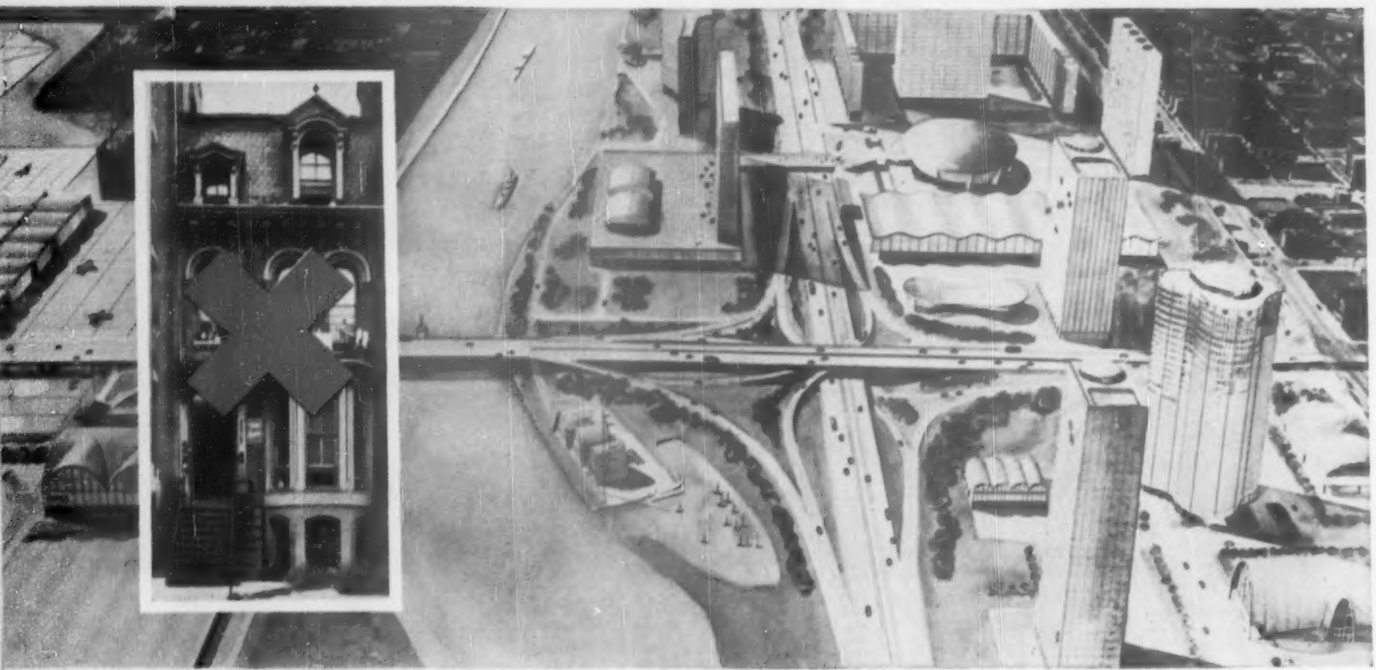
new cities for old



IN the early days, when American cities were first getting their roots down, distances were long, travel was slow.

City dwellers, in those days, found it convenient to live close together. And cities laid their foundations accordingly.

Community compactness was a virtue.

But today—in this era of mobility—community compactness is almost a major headache. Downtown areas lack elbow room. Streets are too narrow to carry the traffic. There is no place to park. Community facilities are far from adequate.

And, on top of it all, many cities are suffering from urban blight. In general, the cities are due for an overhaul—redesigning, rebuilding.

THIS job of redesigning and rebuilding American cities is a big one. It calls for more than power shovels and bulldozers.

In each city concerned, the problem is complex. It involves many factors—everything from: how best to use available space; to: how to finance the project; and what to do with displaced families.

The job calls for an understanding of community growth and change—and a knowledge of what can be done to meet the requirements of the future.

TO HELP local business and civic leaders build better cities, the National Chamber carries on a well-rounded, continuous Urban Development Program.

This program is under the direction of a committee of 40 national business leaders, and is divided into three parts:

1. *Conducting Conferences*

In cooperation with local chambers of commerce in cities in different parts of the country, the National Chamber sets up and conducts Urban Development Conferences.

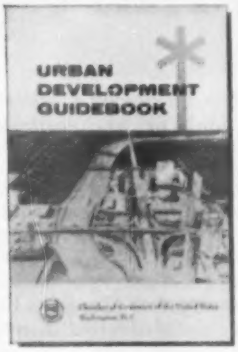
To each Conference, the National Chamber sends a team of experts to serve as a panel in a forthright discussion of the urban development problems the particular community faces—and how to solve these problems.

In the past year, seven Urban Development Conferences have been held; five more are scheduled for the months ahead. Details on these forthcoming Conferences will be sent you on request.

2. *Creating Public Interest*

Through its regular publications, over the air, and in other ways, the Chamber spreads views and information about the need and importance of building better cities, and specifically what can be done in this direction.

3. *Distributing Guidebook*



To local business and civic leaders and others actively interested in combating urban decay, and in planning and building for future community growth, the National Chamber makes available its "Urban Development Guidebook"—a practical working tool.

This Guidebook is based, not on theory or guesswork, but on tested-and-tried methods used by various cities which have successfully engaged in community rebuilding.

"Urban Development Guidebook" shows how to mobilize the necessary manpower and leadership to combat urban decay in your city, how to organize to get the job done, how to get people to work together, how to coordinate activities having to do with the physical improvement of the community, how to solve the money problems, and so on.

"Urban Development Guidebook" sells at cost—$1 a copy; or if you order three or more copies at one time—50 cents each.

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1. Cut Taxes
Promote economy in government, make sound tax cuts, and devise a fair and equitable tax system.

2. Improve Labor Relations
Create greater harmony between labor and management, America's productive team.

3. Lift Living Standards
Increase production, develop new markets, provide more jobs, keep the economy expanding.

4. Improve Education
Raise educational levels, and build a better public understanding of free enterprise.

5. Build Better Cities
Combat urban blight, and build better cities and communities for tomorrow.

6. Strengthen Organized Business
Keep organized business strong, positive, forward-looking and increasingly effective.

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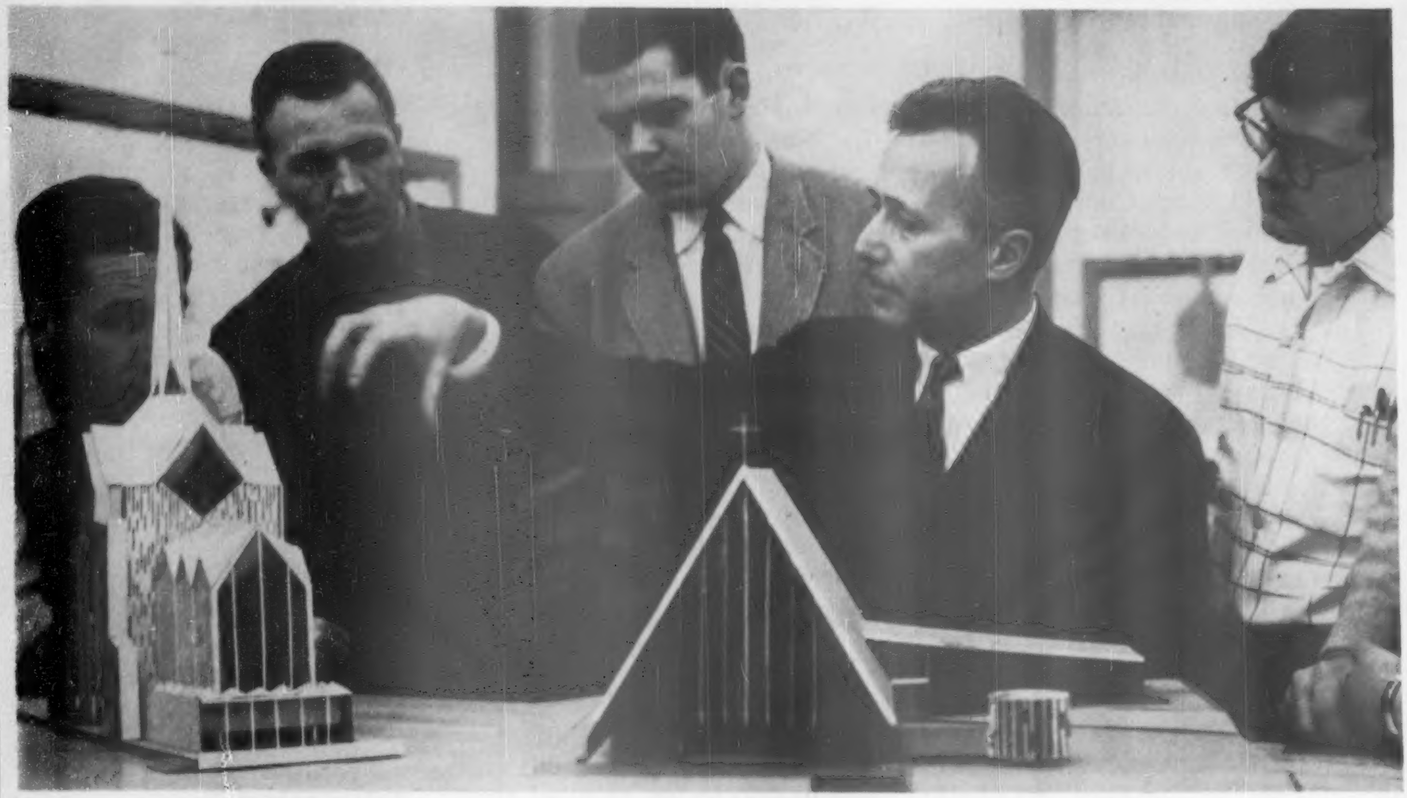
New age of faith sparks CHURCH BOOM

JAMES COYNE—BLACK STAR



M.I.T. architecture professor Pietro Belluschi discusses trends in church design with four of his students

Religious construction this year will reach all-time peak of $850,000,000, 15 per cent above 1955

THE GREATEST church building boom in history is giving concrete-and-steel expression to a new age of faith in America.

Since the start of 1950, Americans have spent more than $3,000,000,000 on churches, cathedrals, chapels, temples, tabernacles, synagogues and other houses of worship. This year, according to the Commerce and Labor Departments, spending for religious construction will climb 15 per cent over 1955 to reach an all-time peak of $850,000,000.

Expenditures for each month of 1956 will be almost as high as the total annual figure for 1946. This outlay will yield about 8,000 new or enlarged churches to a land that already has more numerous and more varied facilities for worship than any country on earth.

The forest of new spires and steeples would be impressive, if judged solely in terms of economic impact. Churches now rank as the fourth largest category of private construction. They are a major factor in the building industry's prosperity, which in turn is a key support to the overall high level of business activity.

But the real significance of the church building boom lies beyond the realm of economics. The boom is only the material symbol of what may be the most important phenomenon of contemporary American life—the resurgence of interest in religion.

For most of the past generation, the dominant public attitude toward religion was one of indifference tinged with skepticism. The man who went to church instead of playing golf on Sunday morning was likely to be regarded as unusual. Consciously or unconsciously, millions of Americans ruled God obsolete, and built their lives around one or more of several vaguely defined secular philosophies—the worship of material success; the adulation of science as the ultimate arbiter of truth; the humanist's vast optimism

that education and progress would eventually remedy all the world's ills.

World War II, which shook many individual lives to their sandy foundations, brought the first indications of a changed climate. People began to pray again, if only because they found themselves in situations where there was little else they could do. This foxhole religion had a high emotional proof, and many thoughtful clergymen doubted that the wartime rebirth of piety would long survive the outbreak of peace.

But it did.

Instead of diminishing, numbers of church members have been growing rapidly since the end of the war. The 1956 "Yearbook of American Churches" reports that church membership now totals 97,500,000 persons, slightly more than 60 per cent of the U. S. population. A century ago, in the supposedly pious Victorian age, only 16 per cent of the American people were enrolled as church members.

The return to religion is also reflected in the Sunday schools, overflowing this year with 37,623,000 children and teachers; in the enormous crowds drawn by evangelists such as Billy Graham; in the high Hooper ratings of Bishop Fulton J. Sheen and Dr. Norman Vincent Peale; in the tremendous sales of Bibles and books with religious or pseudoreligious themes.

The breadth of the religious revival is easier to gauge than its depth.

Are we really entering a new age of faith, or is religion becoming a national fad? How much genuine spiritual conversion, and how much skin-deep sentimentality, is reflected in the crowded congregations?

No one can answer these questions categorically, but clergymen who have studied the movement at close range see elements of both sincerity and superficiality. Beyond doubt, a great many people have become disillusioned with secular philosophies that offer man no point of reverence beyond himself; they are actively searching for a faith that can give meaning and purpose and dignity to life in an age of extraordinary stress.

Their presence in church may not mean that they have fully accepted the Christian answer to man's dilemma, but it does mean they are seriously examining it for perhaps the first time in their lives.

On the other hand, it would be folly to contend that all of the new church-goers are motivated by real spiritual hunger. Religion has be-

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CHURCH BOOM

continued

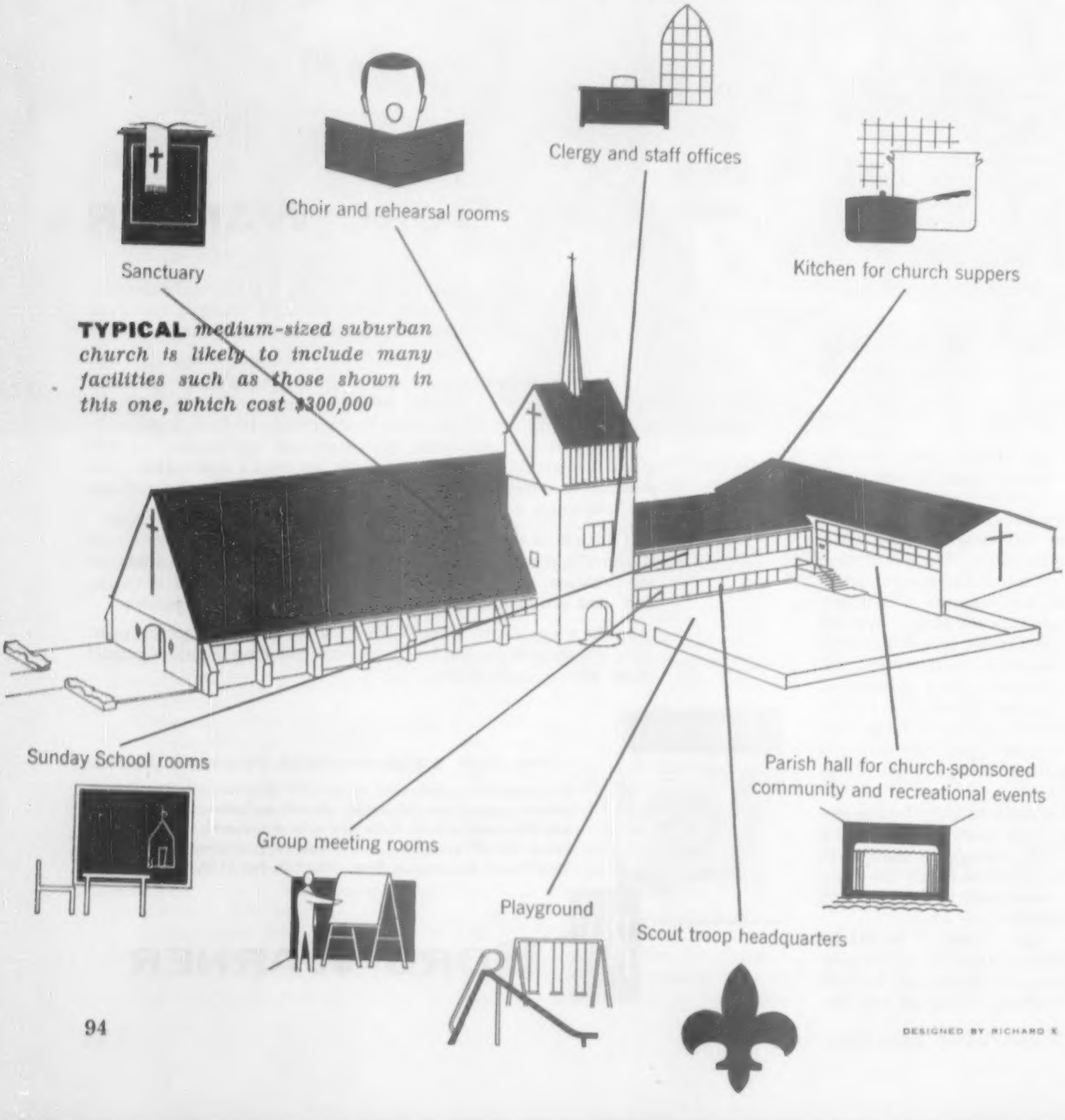
come the thing to do, and its respectability in our day is a cause of concern to some perceptive clergymen, among them Dr. Eugene Carson Blake, president of the National Council of Churches. They see disturbing evidence that some people, at least, are flocking to church to seek security, to make social contacts, to set an example for the children, because it makes them feel good, or for other essentially selfish reasons that have little to do with mature faith and worship. They are particularly distressed at the popularity of peace-of-mind religion which, they feel, tends to depict faith primarily as a means to the selfish ends of personal happiness and success, and to reduce religion to the status of good mental hygiene.

As this concern spreads through the ministry, you can expect to hear more sermons emphasizing that the real test of a man's religion is not how pious he is on Sunday morning, but how he lives the other six days of the week, at home and in the office, in his business relations and in his recreation. One text which already is getting a good workout is Christ's warning that "not all who cry 'Lord, Lord,' shall enter the Kingdom of Heaven, but rather those who do the will of my Father."

Whatever is bringing people to church, the undisputed fact is that they are coming in droves every Sunday morning. For many lay churchmen—especially businessmen who usually serve on building and finance committees—the pressing problem is how to provide enough space to accommodate the huge turnout.

The problem is complicated by the fact that the space needs of the modern church have grown even more rapidly than the size of its congregation. It is no longer sufficient to have a big sanctuary to handle the crowd that assembles for 11 o'clock worship. Particularly in the mushrooming suburbs, which lack civic facilities, churches are regaining their historic place as centers of community life on week days as well as Sundays. Today's typical medium-sized suburban church is likely to include, in addition to the main auditorium, some or all of these facilities:

Several thousand square feet of partitioned floor space—often in a separate education building—for Sunday school classes; a playground; offices for the clergy and secretarial staff; robing and rehearsal rooms for the choir; a headquarters (sometimes complete with workshop) for the Scout troop; a



TYPICAL *medium-sized suburban church is likely to include many facilities such as those shown in this one, which cost $300,000*

DESIGNED BY RICHARD E. COLLINS

large and expensively furnished kitchen for church suppers; private meeting rooms ranging from fairly large halls to home-like parlors with fireplaces for such organizations as the Ladies Guild, week-night discussion groups, or (in a growing number of churches) Alcoholics Anonymous; a parish hall big enough to handle amateur plays, the showing of 16 mm movies, 'Teen Club dances, or other church-sponsored recreation programs that keep the kids out of the jukebox joints.

As in other fields of construction, new functions have encouraged new forms. A revolution in church architecture is underway. A decade ago, nearly every new church built in America conformed to one of the architectural styles traditionally associated with houses of worship—Gothic, Colonial or Spanish mission. This year, more than ten per cent of the new churches will be of boldly modern design, and architects predict the percentage will be still higher next year.

Walter A. Taylor, research director of the American Institute of Architects and chairman of the architectural commission of the National Council of Churches, says there are two good reasons for the swing to contemporary design.

The first and most obvious is economic: You get a lot more usable space for your money if you combine modern building materials and techniques with the kind of architecture that gives the freest expression to their potentialities.

The second and even more important reason, says Mr. Taylor, is that "the Church must live in the Twentieth Century. If it insists on housing its services of worship in anachronistic architecture, it will encourage the notion that religion itself is the relic of a past era. But if it wants to proclaim that the Christian gospel has significance for the mid-Twentieth Century, then it must be prepared to speak—architecturally as well as otherwise—in the language of our day."

Although the modern trend is now catching on in nearly all denominations, the first to accept it on a wide scale were the Roman Catholics and Episcopalians. Mr. Taylor's theory is that these two communions "feel so secure in their ancient liturgical traditions that they have no qualms about expressing them in contemporary surroundings."

On the other hand, he believes, some of the Protestant denominations have tended to hold back from modern design for fear it might conflict with their efforts to introduce a more

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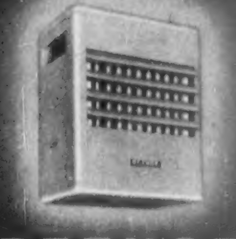

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CHURCH BOOM

continued

worshipful atmosphere to their services.

That there still is a considerable body of highly charged opposition to modern architecture for churches was demonstrated when the Air Force unveiled plans for its new academy at Colorado Springs, Colo. Congressmen raised a howl of protest at the sleek steel-and-glass layout, centering their fire particularly on the proposed chapel, which one lawmaker contemptuously dubbed "a concrete wigwam" and another compared to "an accordion lying on its side."

The Air Force retreated in confusion, toned down the academic and administration buildings, and shelved the controversial chapel plan entirely. The latest word from the Pentagon is that it will be "quite some time" before a new design for the chapel is ready.

Mr. Taylor is confident that this and other controversies over the propriety of modern design for churches will blow over in time, and that the now-favored style will eventually become as rare as that other traditional piece of architecture, the log cabin.

Historically, he says, the church has always been the patron of new modes of architecture, and each great style in its turn—Byzantine, Gothic, Romanesque, Renaissance—has reached its highest expression in houses of worship. He thinks the same thing will happen with the new mode we call modern, which is now just emerging from its primitive stage and which, he predicts, will attain its own golden age in the church architecture of the future.

When a church's building committee has decided how much space is absolutely necessary, and what kind of architecture will be most acceptable to the congregation, the finance committee goes to work on the problem that hounds all human endeavors, even the erection of temples: Where is the money coming from?

The Commerce Department estimates that the average outlay for a new church is about \$100,000. But this sum will produce only a fairly modest plant. If the congregation wants a parish hall, education building and some of the other facilities, the bill is likely to run from \$300,000 to more than \$1,000,000.

Most of the new churches to be built this year will be financed in part by mortgage loans. The ready availability of these loans is one measure of the new prestige which churches have achieved in our daily life. There was a time, not too long ago, when many bankers shied away from lending money to a group so hard to define as a congregation, on property so difficult of foreclosure as a church.

Now churches generally are rated as a grade A credit risk.

Even with a maximum loan, however, a considerable amount of cash must be raised before a building contract can be signed. The usual method of raising it is to conduct a building fund canvass, in which members of the congregation are asked to pledge specific sums, to be paid in installments over a period of perhaps a year or two.

One of the most controversial issues in many congregations is whether this appeal for funds, which usually involves solicitation visits to each family, should be carried on by volunteers from the local congregation, or by hiring a professional fund-raising organization.

Regardless of who conducts the canvass, all church financing hinges ultimately on how the individual members feel about giving. One reason why so many new churches are going up this year is that Americans are giving more than ever before. In Protestant and Orthodox churches alone, contributions are now running well over \$1,500,000,000 a year, and the rate is climbing steadily. (The Catholic Church does not publish figures on contributions.)

Even the present level of giving, of course, does not approach a tithe for the wealthiest people on earth. But there are reports from many churches that the modern concept of tithing is gradually gaining adherents.

This concept is five per cent of a person's income, after taxes, for the church, and five per cent for charity or other unselfish uses.

If all, or even a majority, of America's church-goers should start tithing, the \$850,000,000 spent for new churches this year would seem like a pittance. And there would no longer be much room for doubt about the genuineness of the new age of faith.

—Louis Cassels

Proper government analysis of business is the difference between taking it apart and picking it to pieces.—Shannon Fife

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TAX MISTAKES

continued from page 39

stance, but the important reason is that millions of women are working and many who are wives file joint returns with their husbands.

What steps are involved in processing the returns?

The first thing we do is open the mail. That sounds simple but actually it's one of the most vital steps in the whole process. Next the remittances accompanying the returns have to be checked, endorsed, recorded and the money put in the bank. Then the returns are sorted into several major categories. They are date stamped and numbered, checked for signature, coded as to marital status and verified as to exemptions claimed.

Then we check the amounts on the Forms W-2 against the wages and withholdings reported on the returns.

Estimated tax credits also have to be verified and some of the returns earmarked for further scrutiny. The taxpayers' mathematics are also checked. Then in the case of individuals filing on Form 1040A returns we have to compute the tax. Balance due on these and other types of returns must be recorded and billed to the taxpayers. Overpayments of tax also have to be recorded and arrangements made with the Treasury disbursing offices for refunding the amounts of the overpayments. Returns showing refunds due but having characteristics which in our opinion indicate probable tax error are forwarded to our Audit Divisions for further screening and examinations. Through mass methods for auditing we are generally able to complete our pre-refund examinations soon after the returns are filed. In this way we are able to prevent the issuance of thousands of erroneous refunds without delay in refunding overpayments actually due.

Other returns on which the processing has been completed are then classified for tax audit. These are some of the high points. One of the other things we do is put the taxpayer on our mailing list so that we can begin the job all over again the next year.

What steps are you taking to speed up handling of returns?

One of the big steps is an expansion of a technique tried last year on a pilot basis in conjunction with our Processing Branch in Kansas City, Mo. A Service Center processed the Form 1040A returns for ten District Directors' offices and helped mini-

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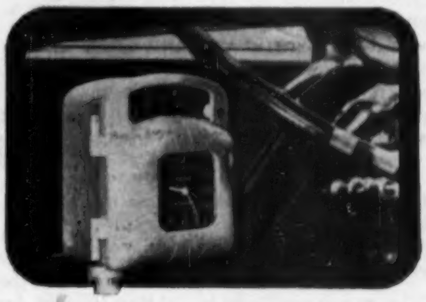

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mize the peak load problem in those offices. Experience showed that four or five such Service Centers will enable us to get the most benefit from mechanized processing.

So we are establishing two Service Centers this year and two or three others may be activated next year. The Centers this year are the Northeast Center at Lawrence, Mass., and the Midwest Center at Kansas City. Both will process not only Form 1040A returns but also the simpler types of Form 1040 returns. They will also handle certain other work. The Northeast Center will process returns for all of the New England area, New York state, and the Camden and Newark districts. The Midwest Center will process returns for the ten districts of the Omaha Region and the Chicago and Springfield districts.

The taxpayer will continue to file his return, pay his tax, and transact all of his federal tax business with the District Director in his own district.

Are you planning wider use of electronic data-processing machines?

Our executives and technicians are in close touch with the latest technological advances in the field, have been consulting with industry and government experts and attending special schools to help them further their knowledge. We are already using a large scale data-processing system in compiling statistics of income.

Do you plan to make any specific studies of the Service's operation—aimed at cutting costs or reducing the number of people on your payroll?

Like any dynamic organization in government or industry we are always seeking ways to improve our product. We are going to keep on doing that, too, but we do not contemplate any major reorganization or radical changes.

Some of the routine things we do in processing returns cost only a fraction of a penny per return even now—but when you multiply this by the millions of pieces of paper we handle each year, you have real money in terms of cost.

What percentage of the returns received are investigated for possible fraud?

Less than one per cent.

Do you have to suspect fraud before you begin an investigation?

The main functions of the Intelligence Division are to determine tax fraud and to develop evidence to prove attempted evasion. Preliminary inquiries and surveys are launched based on information indicating possibility of tax evasion. This information comes from Internal Revenue agents, collection officers, special agents, informants and other sources. After preliminary inquiries are screened, cases where fraud appears to exist are more extensively investigated.

What can a taxpayer do who disagrees with the agent's tax evaluation?

He can first obtain a review of his case in an informal conference with the agent's group supervisor. Failing agreement there, he may apply for a review by the Appellate Division, an entirely independent branch of the Revenue Service. If no agreement is reached at this point, two different procedures are possible:

First he may pay the tax, file a claim for refund and, if it is not allowed, may sue in the District Court or in the Court of Claims. From either of these courts he may appeal in the usual way to the Circuit Court of Appeals or to the Supreme Court.

Second, if he elects not to pay the tax, he may file a petition in the Tax Court. If he loses there, he may appeal further to the Circuit Court of Appeals and from there to the Supreme Court of the United States.

How does your tax education program for youngsters work?

It has several facets.

One, the future taxpayers of the nation are coming from the high schools. So we move into the future. If we can educate high school students in the intricacies of preparing income tax returns, it's going to make it much simpler for the Service as time goes on if there is a vast underlying base of educated taxpayers. I say educated in the sense that they know all about how to make out their own returns.

Two, as these kids learn how to prepare tax returns they can give us immediate assistance by helping their folks to prepare theirs.

Three, you create an interest in tax practices. Some of these youngsters may become tax lawyers or tax accountants later on.

Do you think such training programs should be available for adults?

That's being done in some sections — in vocational schools — but the program could undoubtedly be expanded further. The only limit to an educational program is the money you have to spend on it and the personnel available to handle it.

How big is the Service's operation today?

The Internal Revenue Service has about 51,000 employes, only 2,500 of them in our national headquarters. Last year the Service cost about \$270,000,000, while we collected \$66,289,000,000.

If you had a larger staff and more money could you produce a proportionate increase in the tax collected?

We are still a long way from the point of diminishing return on the money being spent in our enforcement effort. I want to make it clear, though, that we do not believe it desirable or economical to audit every single return filed.

At the same time we know that there are several million additional returns that should be audited but we cannot do this with our present audit staff.

For years you have watched the tax operations from the outside. How do these operations look to you now from the inside?

When I was practicing tax accounting, I found that the Revenue Service people we dealt with were competent, fair-minded and conscientious in their efforts to collect all the money they thought was due the United States. Now that I am on the inside, my reaction is about what it was when I was on the outside.

I think we have a fine organization of qualified people who are willing to be fair-minded as regards the taxpayers' rights and yet have due regard for their responsibility to collect all the taxes that are owing.

One final question: How does the Commissioner of Internal Revenue file his own tax return?

Just like everybody else. He prepares it himself and mails it—sometimes not as early as he should. He's just another taxpayer. **END**

Russell C. Harrington, *U. S. Commissioner of Internal Revenue, is from Providence, R.I. He is a former partner of Ernst & Ernst and a member of the American Institute of Accountants. He is a past president of the Rhode Island Society of Certified Public Accountants and also of the Association of C.P.A. Examiners. He is a former chairman of the Rhode Island Board of Accountancy and has served as treasurer of the Chamber of Commerce of the United States.*

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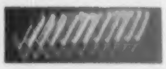
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continued from page 37

we have spent more than $50,000,000,000 building highways since 1930, we have today about 55 per cent more traffic per unit of highway capacity than we had in 1933—that is, crowding is more than 50 per cent greater than it was in 1933. So travel cannot expand as it should and business dependent on highway use cannot grow as it should.

The resumption of highway construction since Korea appears to have checked the growth of congestion. But it is still so severe as to prevent a healthy increase in traffic.

In isolated instances, when a new freeway, bridge, or toll road is built, traffic spurts at these improved spots. This frequently confounds the experts who have become used to how much congested traffic will grow but not to how much freely flowing traffic can grow in a vigorous economy.

Growth of traffic in the 1920's when highway construction was adequate suggests that, if construction had kept up during the 1930's and the war years, highway travel today would be something more than 2.5 miles per dollar of gross national product. That is a figure of about a trillion miles in 1955 instead of the less than 600,000,000,000 miles that all vehicles traveled last year. Even allowing for about ten years of inadequate highway building as a result of war and postwar difficulties, adequate highway building throughout the 1930's might have given us a travel rate about 2⅓ miles per dollar of business done—or a traffic volume of about 900,000,000,000 vehicle-miles.

What would such a volume of traffic have meant to our economy?

Obviously cars would not wear out 50 per cent faster driving 900,000,000,000 miles over good roads than 600,000,000,000 miles over the roads we have. Both accident rates and wear and tear per mile would have been lower. Still, scrappage would have been somewhat higher and so would the number of two-car families. Sales of new cars, assuming a good business year such as we actually had, would accordingly have exceeded 8,000,000—if the materials were available.

More steel, more rubber, more chemicals, more processing facilities would have been needed to support a 900,000,000,000 vehicle-mile traffic. So we must assume that additional plant capacity would have been made available, along with the additional highways.

Expenditures on tires, gas, oil, etc., would have expanded proportionately with the mileage driven. They would expand far less in urban areas, because traffic blocking intersections would be reduced to a minimum. But they would expand more than proportionately in rural areas, as greater speed would be safe. Accidents on well designed roads are more a result of congestion and lack of alertness than of speed. So the fast driving which would have been feasible would use more gas and oil per mile. Purchases made from tire, gas and auto shops might have approached $19,000,000,000, as contrasted with about $12,000,000,000 in 1954.

With the general increase in business from improved highways, purchased transportation would have risen, too. With better roads, bus traffic and truck traffic would rise, along with a rise in rail transportation. (This matter of increased demand for rail transportation is one of the important secondary effects on the economy.) The increase in truck and bus transportation expenditure might be in the neighborhood of $2,000,000,000. These few items alone suggest a direct increase in the GNP of $12,000,000,000 or three per cent of current levels.

Secondary expenditures necessary to support these $12,000,000,000 additional expenditures would equal the direct expenditures. Today's GNP with an adequate highway system might, therefore, be more

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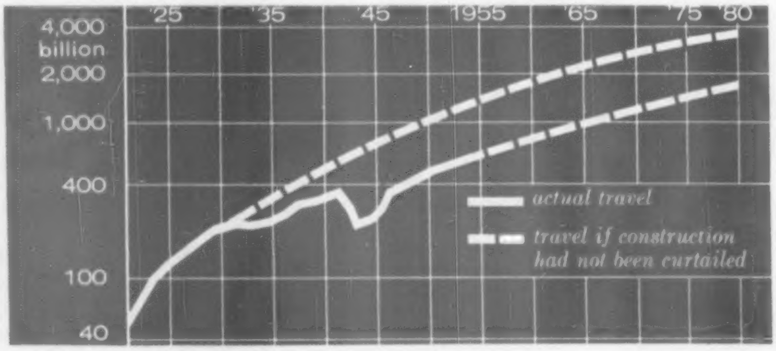

than six per cent, or $25,000,000,000 greater than it is.

As we have practically full employment today, the increase in GNP would have been possible only through the use of more efficient equipment. This means that productivity would have risen more, with good roads, than it did without them, as a result in part of the stimulus of the greater demand for goods, and a lower unemployment figure.

But we don't have adequate roads, or a 900,000,000,000-mile traffic volume. What business would be like with such a system makes interesting speculation. Of more significance, however, is what might happen if we were to build toward an adequate system as rapidly as possible.

In the years when capacity grew as fast or faster than traffic—1920-1933—traffic grew rapidly. Whenever more adequate facilities are provided now, traffic grows rapidly.

If we assume a modest rate of growth in productivity of only 2½ per cent per man-hour per year, and in the GNP as a whole of about three per cent per year, we would expect a GNP of about $525-$550,000,000,000 by 1965 and $1,050-$1,100,000,000,000 by 1985. We would then get a volume of traffic like the chart on the facing page.

This would suggest that a growth in GNP of three per cent per year would be matched by a rise in traffic of 4½ per cent per year during the next 20 or 30 years—that traffic would grow only 50 per cent faster than GNP, instead of four times as fast as in the '20's.

Careful studies of existing potential traffic, segment by segment, lead to similar conclusions.

If road building is stepped up and if this brings us the 800,000,000,000 vehicle miles suggested by the chart for 1960, we will still be short 100,000,000,000 miles of what adequate roads might have provided in 1955. A volume of 900,000,000,000 is not reached on this chart until about 1963. By that time, with more adequate roads, no one should question an 8,000,000 car market, or a $20,000,000,000 auto, gas and auto tire market. We should be able to enjoy our longer weekends, and longer vacations and get to work more readily.

Improved highways will not only make travel by car, bus, or truck faster and more reliable, it will provide better competition for rail and air traffic. Providing the rules of the game are kept fair, this should be healthy for these competitive transportation systems, and improve the quality and volume of their service. The economy will profit indirectly as well as directly by better goods.

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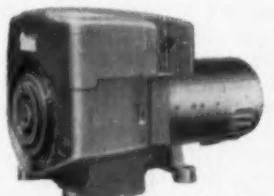

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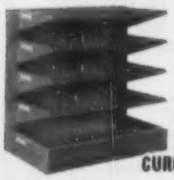

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continued from page 35

compromise, which results in occasional victories for each side.

The committee's recent orientation is epitomized by Chairman Smith, a veteran of 25 years in Congress, 23 of them on the committee. A farmer, banker and former judge, Mr. Smith is accepted by both conservatives and liberals as one of the ablest men in Congress and a first-rate parliamentarian. Deliberate in movement and approach, Mr. Smith gives a judicious air to committee proceedings in a crowded little room on the top floor of the Capitol, just a few feet from the House visitors' gallery. Traditionally, the committee's sessions have featured endless discussion, open brawling and sometimes hilarious, sometimes bitter arguments. In this Congress, Judge Smith has tried, in his firm courteous way, to cut down on the side show aspects.

At the same time he has steadfastly maintained the committee's power to screen legislation sponsored by other committees.

"My people did not elect me to Congress to be a traffic cop," he has declared, "and I think that is true of the other members of the Rules Committee."

"I think," he added, in a minor masterpiece of understatement, "that the committee feels they have some functions of a discretionary nature to perform."

During the first session of the present Congress, the committee exercised its discretionary function frequently.

When the House Banking Committee approved a bill to extend the life of the Small Business Administration, it included a doubling of the agency's lending authority. Rep. Jesse Wolcott of Michigan, ranking Banking Committee Republican, opposed this, and took his case to the Rules Committee. Judge Smith announced the bill would never be cleared with the lending authority boost in it, and that section was eliminated.

A similar fate befell a bill approved by the House Commerce Committee to provide funds for polio vaccine. It included a provision obligating the government to match any state funds spent for vaccine. Mr. Smith said this open-end provision had to be eliminated before the Rules Committee would clear the bill, and Commerce Chairman Percy Priest of Tennessee reluctantly complied.

Mr. Smith violently opposed a continuation of the doctors' draft unless the age ceiling were lowered. He sat on the extension bill reported out by the House Armed Services Committee, and the Senate, to outskirt him, had to tack the doctors' draft extension to a House-passed bill continuing the regular draft. But House-Senate conferees on the final version of the bill were obliged to take note of Mr. Smith's position or face a new Rules Committee blockade on the conference bill they were writing. So the conferees agreed to lower the doctors' age ceiling somewhat in order to get the legislation through.

The committee bottled up completely bills to strengthen federal controls over bank mergers and to extend federal powers to combat water pollution.

The committee won a victory in the course of the perennial fight on housing legislation last session, but it turned out to be a temporary one. The bill reported by the House Banking Committee enlarged the public housing program beyond the Administration's recommendation and far beyond the wishes of the conservatives on the Rules Committee. After sitting on the bill for many weeks, the committee finally permitted it to go to the floor—but with a proviso that another proposal junking public housing would be in order for consideration as a substitute. The substitute carried on the floor and public housing was stricken from the House bill.

The Senate forced continuation of the controversial program for another year, however.

On all these occasions the Rules Committee's power was used against the desires of the Democratic leadership.

More normally, however, the committee carries out the desires, either open or covert, of the majority leadership and sometimes of the leadership of both parties.

One of the bitterest attacks on the committee last year came when it suggested that extension of the reciprocal trade agreements program be considered under a procedure barring any changes in the bill reported by the Ways and Means Committee.

Despite the protests, the fact was that this strategy was desired by House leaders—both Democratic and Republican—to get the bill through without crippling amendments.

When the bill to increase federal highway spending was being considered, the committee's rule said no amendments could be offered on the floor to change provisions boosting highway user taxes except one motion that would substitute the Administration's bond-financing program. Again, the procedure represented the desire of the leadership of both parties.

When a bill to raise the minimum wage came up for consideration, many Democrats were talking about an amendment to broaden coverage of the law to include new workers in retail, service and other fields. The Rules Committee, in clearing the bill, said the only amendments permissible on the floor would be those to change the amount of the minimum wage and its effective date. Changes in coverage were ruled out. Here again the committee's action reflected the wishes of the leadership of both parties and of members of the House Labor Committee as well.

Sometimes it is not so apparent that the committee is carrying out the leadership's wishes. For example, when the House Interior Committee approved a bill granting statehood to Alaska and Hawaii, it soon became apparent that the measure was not acceptable to the Administration nor to the Democratic leadership. Hoping to make the bill more acceptable, the Interior Committee asked for a rule that would permit amendments on the floor. But the Rules Committee, in clearing the bill after a long delay, ruled there could be no changes on the floor. Without an opportunity to make the measure more palatable, its backers went down in overwhelming defeat. Many observers feel that this is what Speaker Rayburn wanted all along.

Another opportunity for the Rules Committee quietly to carry out the wishes of the leadership came at the beginning of the 1955 session when Chairman Smith declared his committee was not going to be so generous in granting other committees broad powers to send members abroad and to subpoena records in the course of investigations. He said he was going to demand that the committees spell out the purposes of their investigations in detail rather than to rely on the usual sweeping generalities, and that authority to travel overseas was going to be reserved for just a few committees.

Many members considered this high-handed, being unaware that Mr. Smith had spoken only after clearing the idea with the Democratic and Republican leaderships. As it turned out, the leaderships later pressured him into granting many exceptions to his ruling and he feels his original purpose was thwarted. But other members of Congress say the Rules Committee did cut down substantially on the amount of foreign travel and the number of investigations.

"If it hadn't been for us, there'd have been four times as much investigating and junketing as there was," a Rules member asserts.

Attacks on the committee are frequently heard not only in congressional cloakrooms but on the House floor as well. "Arbitrary," "irresponsible," and "unrepresentative" are typical adjectives used in the past year. Rep. Cleveland M. Bailey of West Virginia, a Democrat, charged the committee with "undemocratic and un-American gag rule procedure." Rep. Thomas J. Dodd, a Connecticut Democrat, said the House had been reduced to "puppet parliamentary procedures" by the committee's powers.

Rep. Charles A. Wolverton, Republican of New Jersey, accused the committee of sponsoring "gag rules of the worst type."

The committee has many strong defenders, however. They stress the majority leadership's need for a central clearinghouse in view of the volume and complexity of legislation.

They also point out that bills are often so technical, tax and social security measures, for example, that it would be disastrous to open them to unlimited amendment on the floor. Also, they emphasize that the majority party must show some sort of a record of legislative accomplishment and the Rules Committee is essential to give a push to the bills desired by the leadership and to sidetrack those not desired.

Says the man who has been Speaker longer than any other, Mr. Rayburn: "I think it's vitally necessary to have a Committee on Rules to expedite the legislative business of the House."

Declares Chairman Smith: "Thousands of bills are introduced in every Congress. It is obviously impossible to give floor consideration to all of them, and the function of the Rules Committee is to select and speed the consideration of the most important legislation and that which is most likely to meet with favorable consideration by the House. In making its determinations, it is, therefore, necessary for the committee to con-

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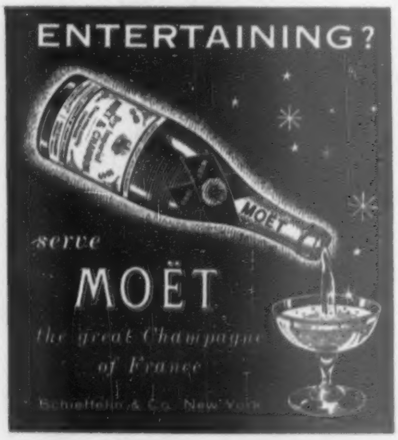

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sider the substance and merits of the bills."

Committee supporters also say that on the occasions when the committee doesn't reflect the will of the leadership of the majority party, it is reflecting the wishes of the majority of House members. They point out that the House can always reject the committee's proposed procedures for considering bills—the rules—but that it rarely does. They also point out that when the committee recommends a specific amendment or substitute for a pending bill the House usually goes along. Finally, they remind critics that, although there are methods of bypassing the committee, these are practically never used, again indicating that the committee is not out of line with most House thinking.

Mr. Smith cites the fact that only once in the past 11 Congresses has a bill brought to the House floor over Rules Committee opposition received enough support in the House and Senate to become law.

Supporters of the committee remind its foes also that the committee is often a convenient place to bottle up bills that are contrary to the public interest but are being pushed by strong pressure groups. Legislative committees often can't withstand heavy pressure nor could individual members if the bill were to come up on the House floor, the argument goes. But the Rules Committee can take the heat. Its members almost always are selected with this in mind; they come from districts where they are virtually certain of repeated re-election.

"A man who isn't from a safe district has no place on the committee," says a veteran member, Rep. Clarence J. Brown, Republican of Ohio.

"Many a time I've heard a member take the floor and attack the committee for sitting on a bill and then come right over to me and beg me not to let the bill out," reports another high-ranking Rules member.

Rep. Clare E. Hoffman, Republican of Michigan, has said: "Every single member of the House loves and approves of the actions of the Committee on Rules when they protect us from going on record on some bill that is not sound or where we do not want to be on the record."

Most of the critics of the committee are willing to admit that some unit is needed to control the flow of legislation in the House. However, they say the committee should be firmly held to its traffic cop functions. It should decide which bills come first and set a time limit on debate, they say, but it should not be permitted to bottle up legislation completely or to set such narrow limits on consideration of a bill that the House, in effect, loses its freedom of choice.

These critics argue that the Rules Committee has no right to set itself up over any other committee of the House and decide that a bill approved in another committee is actually without merit. They also say that individual House members should have the right to try to amend any bill on the floor. The Rules Committee, they declare, now has the power of leadership without any of the responsibilities that should go with it.

The fact that the committee is seldom reversed or bypassed is no indication that it represents the will of the majority of the House, its foes assert. They declare that procedures for bypassing or overturning the committee are cumbersome and difficult, and besides members don't want to anger so powerful a committee by rebuffing its decisions. Also, they say, members who might have a position on a bill contrary to that of the committee hesitate to overturn the committee's recommendations on handling procedure, and yet the procedure frequently determines the fate of the bill.

The statehood bill is cited as an example. While the House rejected statehood, there is no telling what might have happened if an opportunity to improve the bill on the floor had not been denied on the recommendation of the Rules Committee.

Finally, the critics claim, members of the majority party face the danger of appearing ridiculous in the public eye if they continually fight the committee which, theoretically at least, is supposed to be putting their party's program across.

There are, of course, many proposals for revising the Rules Committee's powers and functions.

The most extreme reformers, mostly academic experts from out-

side Congress, would reconstitute the committee as a majority party steering unit, made up only of members of the majority party and elected each Congress by the majority caucus. There would be no automatic carryover of members from one Congress to the next. Advocates of this solution say it is the best way to make sure the committee carries out what they believe should be its main job—putting through the majority leadership's program as expeditiously as possible.

Some other reformers would keep minority party representation as at present but would take action to insure that the majority members are more representative of the party rank and file in Congress. They would increase the number of majority members to reflect more parts of the country and more points of view. Like the first group, they would have members elected by party caucuses each Congress, with no carryovers.

A third group would keep the composition of the committee as it is, but would limit its power to bottle up legislation. Some would restore the 21-day rule; others would give the committee power to reject a bill reported out by a legislative committee once but require it to clear the bill if reported a second time. Still others would require the committee to report favorably or unfavorably on each bill put before it, ending indefinite pigeonholing.

A final group simply urges that the leadership exercise more care in selecting new committee members to make certain that they are in harmony with the thinking of the majority of the party. This apparently is the course favored by Mr. Rayburn and House Republican Leader Joseph Martin of Massachusetts, who was Speaker in the two recent Republican Congresses.

All the reform proposals go to changing the make-up or powers of the committee. It is hard to find anyone who would eliminate entirely the Rules Committee or some sort of steering unit. It's generally agreed that, with the tremendous volume of legislation in Congress today and the unwieldy size of the House, some group is necessary to start the weeding job.

"Without it you'd have chaos," says Mr. Rayburn. A liberal Rules Committee member agrees. "The Rules Committee reminds me of what Voltaire said about God," he says. "He said that if there were no God, it would be necessary to invent Him. If there were no Rules Committee we'd have to create one."

—ALAN L. OTTEN

WILL YOU SMOKE MY NEW KIND OF PIPE 30 Days at My Risk?

By E. A. CAREY

All I want is your name so I can write and tell you why I'm willing to send you my pipe for 30 days smoking without a cent of risk on your part.

My new pipe is not a new model, not a new style, not a new gadget, not an improvement on old style pipes. It is the first pipe in the world to use an ENTIRELY NEW PRINCIPLE for giving unadulterated pleasure to pipe smokers.

I've been a pipe smoker for 30 years—always looking for the ideal pipe—buying all the disappointing gadgets — never finding a single, solitary pipe that would smoke hour after hour, day after day, without bitterness, bite, or sludge.

With considerable doubt, I decided to work out something for myself. After months of experimenting and scores of disappointments, suddenly, almost by accident, I discovered how to harness four great natural laws to give me everything I wanted in a pipe. It didn't require any "breaking in". From the first puff it smoked cool—it smoked mild. It smoked right down to the last bit of tobacco without bite. It never has to be "rested". AND it **never has to be cleaned!** Yet it is utterly impossible for goo or sludge to reach your tongue, because my invention dissipates the goo **as it forms!**

You might expect all this to require a complicated mechanical gadget, but when you see it, the most surprising thing will be that I've done all this in a pipe that looks like any of the finest conventional pipes.

The claims I could make for this new principle in tobacco enjoyment are so spectacular that no pipe smoker would believe them. So, since "seeing is believing", I also say "Smoking is convincing" and I want to send you one Carey pipe to smoke 30 days at my risk. At the end of that time, if you're willing to give up your Carey Pipe, simply break it to bits—and return it to me—the trial has cost you nothing.

Please send me your name today. The coupon or a postal card will do. I'll send you absolutely free my complete trial offer so you can decide for yourself whether or not my pipe-smoking friends are right when they say the Carey Pipe is the greatest smoking invention ever patented. Send your name today. As one pipe smoker to another, I'll guarantee you the surprise of your life, FREE. Write E. A. Carey, 1920 Sunnyside Ave., Dept. 92, Chicago 40, Illinois

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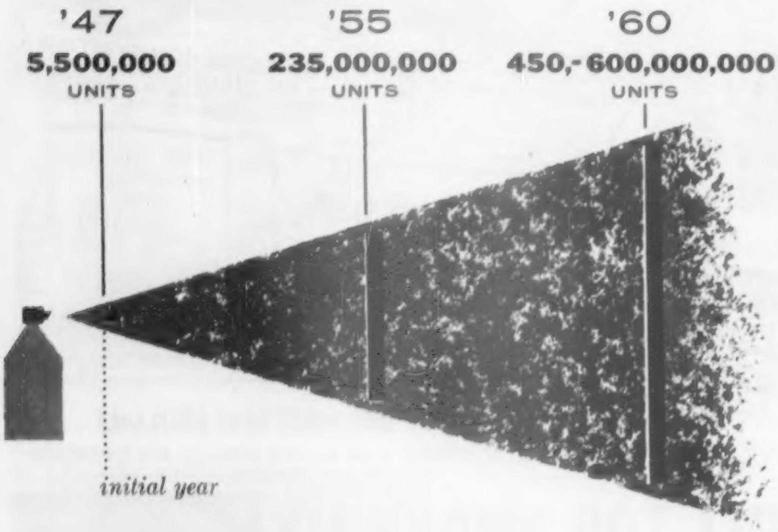
Aerosol's outlook bright

New consumer and industrial uses for aerosol spray products are key to the future of a young and vigorous industry



MANUFACTURERS of aerosol spray products—a young industry that has reached an annual retail gross of more than $200,000,000 in nine years—predict they can double that record within five years.

The industry pins its hopes on the fact that Americans enjoy and are willing to pay for push-button convenience.

Press a button on top of an aerosol container and you can spray paint, deodorize your living room, cover your face with shaving lather, kill flies or garden pests, and even apply polish to your shoes. More than 100 different aerosol-packed products are on the market today and their number continues to increase.

Aerosols have skyrocketed from an initial 5,500,000 units a year in 1947 to an estimated 235,000,000 units in 1955—an increase of 42 times.

New developments, particularly in cosmetics and pharmaceuticals, promise to boost consumption to somewhere between 450,000,000 and 600,000,000 units by 1960, the industry feels. At an average of about $1 per unit retail, that would put in the $500,000,000 class an industry that didn't exist on the American scene ten years ago.

Forerunner of the aerosol was the familiar bug bomb of World War II. Developed by two U. S. Department of Agriculture researchers—L. D. Goodhue and W. N. Sullivan—this high-pressure, heavy-duty container for dispersing insecticides saved countless G. I.'s from malaria and other insect-borne diseases. However, it was too bulky and expensive for postwar exploitation until another USDA expert, Dr. Robert A. Fulton, developed the low-pressure beer-can type container used today by private industry.

How does an aerosol work? Briefly, the product to be dispensed, say a liquid insecticide, is mixed with a liquefied gas which serves as propellent. This solution is enclosed in an air-tight container equipped with dispensing valve and an interior feed tube. Part of the propellent remains in solution with the product to be dispensed but the rest, in gas form, fills the top of the container.

When you press the valve button on top of the can, the vapor pressure within pushes the mixture of propellent and product up the feed tube and out the discharge valve. As the mixture passes out the valve, the liquid propellent immediately vaporizes, expanding some 240 times. This action blasts the product into particles so small they float in the air for a long time.

Insecticides and room deodorants dispersed in this manner are true aerosols as are fog and smoke. But the term as used in the industry also includes two other types: wet sprays for surface coating applications and foam products.

The industry has four main subdivisions:

1. *Aerosol Loaders.* About 500 firms in the U. S. and Canada are engaged in loading and marketing aerosol products. Two of the largest are the Bridgeport Brass Company and G. Barr and Company. Many are contract or custom loaders who receive the product from the manufacturer, load it and the propellent into a sealed can, then deliver the finished package to the manufacturer's distributors. The two loading methods are pressure filling and refrigerated filling—both designed to keep the propellent gas in a liquid state during the packing process. Though the great majority of aerosol products are put together by custom loading specialists, there is a trend among manufacturers producing large amounts of aerosol products to package their own.

2. *Aerosol Propellents.* Virtually all propellents used in aerosols are produced by du Pont and the General Chemical Division of Allied Chemical and Dye. Propellents made by both companies are fluorinated hydrocarbon compounds of the type long used in refrigeration. The du Pont company calls its propellent "Freon." General Chemical uses the trademark "Genetron." Evidence of du Pont's faith in the future of aerosols are two new multimillion-dollar plants to produce Freon at Louisville, Ky., completed last year, and at Antioch, Calif., scheduled for completion in 1956. General Chemical has expanded production of Genetron at its Baton Rouge, La., plant and recently completed a new plant for these products at Danville, Ill.

3. *Aerosol Cans.* Major suppliers are Continental Can, American Can,

in growing market

and Crown Cork and Seal, which together turned out more than 216,000,000 six and 12 ounce containers for the industry last year.

4. ***Aerosol Valves.*** About 25 makers last year produced dispensing valves valued at about $9,000,000. Giant of them all is Precision Valve Corporation of Yonkers, N. Y., which makes more than all the others combined. Valve makers have brought down the price of their component from an average of nine cents each in 1952 to five cents in 1955.

Although the bulk of aerosols are packaged for the consumer trade, they are also used for a host of industrial applications because they save time, prevent waste, and protect the product from contamination and deterioration.

▶***Production Uses:*** In addition to protective coating products like paint, there are push-button sprays to control foaming in chemical reactions; dye penetrants and developers for spotting minute defects in metal castings; sanitary lubricants for greasing food processing machinery; a yarn dressing that helps textile mills salvage sections of warp damaged in weaving; industrial belt dressings that cut down slippage and lengthen belt life; mold release agents for the plastics industry; layout bluings, and dozens more.

▶***Maintenance and Plant Engineering:*** Most widely used items include rust preventives, antistatic solutions, water displacing sprays for drying out flooded electrical equipment, adhesives, grease and paint removers, waterproofing, antiglare coatings. Even the heavy duty asphaltic-type grease that traditionally has required heating application by paddle or brush can now be sprayed from an aerosol can on running gears.

▶***Personal Uses:*** In this area, aerosol space deodorants and air sanitizers provide more pleasant working conditions. Hand cleaners and lotions and a variety of spray-on first aid items are available.

Aerosol products do still other commercial chores. Trans World Airlines uses aerosol deodorants to freshen up the interiors of its planes after each run. General Electric and the Mosler Safe Company have made a complete line of aerosol touch-up paints available to distributors so they can do small repair jobs on the spot without having to ship bulky merchandise back to the home plant. Furriers freshen up their wares with special lusterizing agents available in spray cans.

On the farm, aerosols kill agricultural pests, protect tools and machinery from rust, disinfect livestock, lubricate dairy equipment and dispense veterinarian preparations.

"The possibilities for applications of aerosols have not even been scratched," says Gerald G. Foster, former aerosol consultant and now an executive with G. Barr and Company, one of the industry's large custom fillers. "Aerosols are so new that many manufacturers just haven't got around to investigating to see if their products could be packaged efficiently in them."

The next big market for aerosols promises to be in the cosmetics and pharmaceutical fields. Perfume, cologne, skin creams, hair preparations, fingernail polish and antiperspirants are now being marketed.

Such firms as Elizabeth Arden, Schiaparelli, Coty, Corday, Lucien Lelong and Carven of Paris have already packaged fragrances in aerosols with marked success. One advantage of perfumes and colognes packed in gas-tight containers: air can't reach them to ruin their bouquet.

Response to possibilities of aerosols for toiletries has been so great that the *American Perfumer and Essential Oil Review* stated recently:

"Many cosmetic experts look on the aerosol package as the fragrance industry's most important advance in the last century."

Aerosol-packed pharmaceuticals are becoming popular because of their freedom from contamination and ease of application. Now being sold are local anesthetics, adhesive tape remover, athlete's foot preparations, nasal relief sprays, disinfectants, and burn ointments.

A third field the industry is enthusiastic about is the packaging of foodstuffs in aerosols. Aware of the success of aerated whipped cream and toppings (75,000,000 units were sold last year), aerosolers are experimenting to see if catsup, spreads, syrups, cooking oil, mayonnaise, dressings, sauces, peanut butter, and other edibles can be marketed successfully.

One problem is to find a propellent compatible with water-base materials and acceptable to the Food and Drug Administration.

W. E. Graham, division manager of research for Crown Cork and Seal, says his company is working on the problem of dispensing foodstuffs without aerating them. At present, such aeration alters the texture and flavor of many foods so much it is doubtful that customers would buy them no matter how convenient.

The aerosol business has its problems, too:

▶***Expensive Components:*** Although competition has reduced the cost of the average container and valve from 80 cents to 15 cents, the aerosol method remains an expensive way to package low-priced products.

▶***Better Containers Needed:*** The beer-can type container, with its open flanged seams, lacks point-of-sale eye appeal essential to mass sales of cosmetic and other luxury items. Best bet to get around this difficulty seems to be containers of glass, aluminum or plastic. Ultra-low pressure glass containers, introduced in 1954 by Zonite Products Co. of New Brunswick, N. J., and by the T. C. Wheaton Co. of Millville, N. J., show promise, particularly for moisture- or alcohol-containing products too corrosive to be packaged satisfactorily in metal containers. Sun Tube Corp. of Hillside, N. J., has been a leader in development of extruded aluminum containers which, although more expensive than steel, offer many design and decoration possibilities. One promising plastic container is an all-nylon package now being tested by Precision Valve.

▶***More Promotion Needed:*** Industry leaders complain that many people still don't know what an aerosol is. They point to the success of foam shave cream (50,000,000 cans were sold last year, a third of the entire market) as an example of what can be done if the product is supported by heavy consumer advertising.

Since almost any product that can be brushed, daubed, dusted or sprayed is a likely prospect for aerosol packaging, it is difficult to predict where the uses for this container will end.—CHARLES FRANCIS

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Labor warns business of phony ad racket

- **Copper supply expected to match demand**
- **Railroads add to piggyback fleet**
- **Best guide to legislative affairs**

AFL-CIO cautions businessmen

Union labor has joined with government agencies, chambers of commerce, and better business bureaus to help protect businessmen from a racket which has been revived since the AFL-CIO merger.

The union thinks the practice of soliciting phony or useless advertising, usually under threat of labor trouble, has increased in some parts of the country since the December merger. The merged organization seeks to stamp out the racket engaged in by so-called labor papers which have no official connection with bona fide labor groups.

The key element in the racket is a long distance telephone call. The caller describes himself as a representative of a union, or a member union, or as an officer of a newspaper sponsored by the AFL-CIO, then asks the businessman to take a "Friend of Labor" ad.

Businessmen who have refused have been threatened with strikes, walk-outs, even damage to their plants. In some cases, even if the company solicited refuses to take an ad, it is billed anyway. The Federal Trade Commission has ordered one paper to stop sending bills to persons or firms with regard to an advertisement "without a bona fide order to purchase said advertisement."

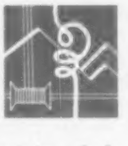
"The AFL-CIO vigorously condemns these so-called labor publications that solicit advertising from business concerns by high-pressure methods," AFL-CIO President George Meany told NATION'S BUSINESS. "We would appreciate it if employers would consult central labor body officials in their own community or the International Labor Press Association before placing advertising in any questionable labor publications.

"We have advised and will continue to advise businessmen and the public generally that the AFL-CIO accepts no paid advertising in any of its official publications, and that no one is authorized to solicit advertising in the name of the AFL-CIO."

Criticism is not directed against the more than 300 publications affiliated with ILPA and other legitimate labor papers, some of which do accept advertising.

In case of threats, direct or implied, the businessman should get in touch with the FBI or the ILPA. The Extortion Act may be involved.

Copper outlook brightens



The copper outlook for 1956 is promising. Plans for increased copper production combined with labor peace could approximate a balance between supply and demand this year.

In spite of foreign and domestic labor troubles, which the industry says cost nearly 150,000 tons of refined copper, a record 2,700,000 tons of copper were produced in 1955.

The supply still did not meet customers' requirements because of the unprecedented world demand.

Industry analyses indicate that increasing capacities in the United States, Canada, Africa and Chile could produce by 1958 more than 400,000 tons more copper than the theoretical capacity in 1955. The Copper & Brass Research Association estimates the net effect would be more than 200,000 tons added to world production in 1956, more than 100,000 tons in 1957, and about the same amount in 1958.

Industry expects a rough balance between supply and demand to be achieved sometime in 1956 if major strikes in the copper mining industry do not disrupt production.

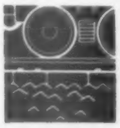
The U. S. is the world's largest producer and consumer of copper. About 45 per cent is mined in North America; African mines produce 27 per cent, Central and South Amer-

ica 16 per cent, Europe 4.5 per cent, Asia six per cent and Australia 1.5 per cent.

The U. S. Bureau of Mines says most observers agree that world reserves exceed 100,000,000 tons of recoverable copper, with about 25,000,000 tons of it in the United States.

Industry leaders point out that any talk of reserves is based on present technology and market conditions and that exploration and advancement in techniques could extend the known quantities.

32 roads offer piggyback service



Railroads confidently expect 1956 to show continuing expansion of piggyback service.

Piggyback is a method by which heavy highway trucks filled with cargo are loaded on flatcars and then driven off special ramps at their destinations.

Although at least one railroad has offered such service for many years, the piggyback era really began a year and a half ago when rates were authorized and the Association of American Railroads began receiving carloading records from six companies.

The service is now offered by 32 companies loading an average of almost 4,000 piggyback cars a week.

A guide to legislation

The members of the legislative affairs committee of the Beverly Hills, Calif., Chamber of Commerce want to be the best informed committee on legislative matters in the country.

J. B. Edwards, secretary-manager of the chamber, reports that at a committee meeting the importance and timeliness of NATION'S BUSINESS so impressed him that he offered to pay from his own pocket one third of the subscription rate for every committee member not already subscribing to NATION'S BUSINESS. But Eugene Webb, Jr., president of the Southland Federal Savings and Loan Association of Beverly Hills, and a committee member, refused to accept his offer.

"Instead," Mr. Edwards says, "he volunteered to forward a check for a three-year subscription for every member of the committee not now subscribing."

Fifteen new subscriptions were ordered and now all members of the legislative affairs committee are readers of NATION'S BUSINESS.

"Wait till next year!"

OH, PLEASE NO! Even the Brooklyn Dodgers don't have to use that one anymore. So you can imagine how surprised I was when Andy McNaughton, our town's biggest auto dealer, said . . . *"I can't join the chamber of commerce right now. Maybe later."*

THERE WASN'T ANY REASON. Nor was there any reason why we couldn't talk it over . . . so we did! Andy told me he thought the chamber did a great job . . . supporting civic improvements, backing local business activities, promoting new industrial sites . . . contributing to growth and prosperity all down the line. But as for him . . . he just couldn't spare the time!

SO I SHOWED HIM HOW . . . "Other cities are active now. Other chambers are nibbling at our trade area now. Many business heads are considering expansion today . . . and your 'maybe later' may be too late." We were on solid ground and Andy knew it . . .

THE REAL WAY to convince your fellow businessmen you're with them . . . "is to give the chamber your financial backing right now. They want your time if you can spare it, but every dollar you put in the chamber is an investment from which you get a high return. And everybody in town loses when you put it off. Why not act now?"

TO PROMOTE PROSPERITY – to make your community a better place to live and work in – is a responsibility of every businessman. And if you don't think Andy McNaughton believes it, just drop by and see him. If you want a car, chances are you'll wind up joining the chamber of commerce first.

Pete Progress

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ITS ADVANTAGES—Peace of mind for you—no lost calls just because you're out. Helps hold your business, avoids customer irritation. Furthermore, *you don't buy it.* Your Bell telephone company furnishes it to you at a moderate monthly rental.

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Doctors, and other professional people, real estate agents, use it when out on calls or when at lunch.

Repair services of all types with limited personnel find it indispensible by day or night.

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How about you? Want some automatic help in your office? Call your local Bell telephone business office.

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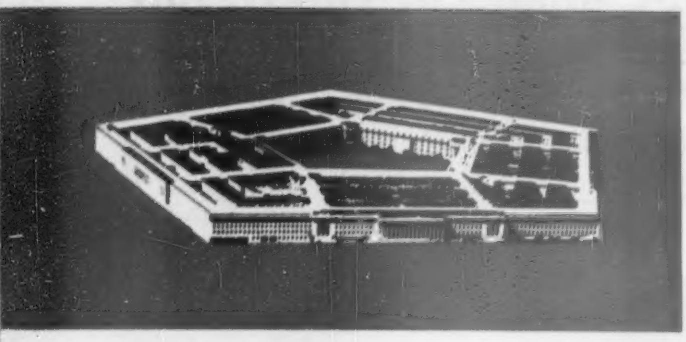

LEMONADE STAND *economics*

THE WAY to government efficiency is trapped by unexpected pitfalls. Among the more bizarre of these is a dilemma involving the Defense Department, Congress, a couple of congressional committees, the President, the Hoover Commission and a mixed bag of government adventures in business.

The situation developed in this way:

The Hoover Commission was created at the insistence of Congress. It had two purposes: first, to propose methods by which the government might perform its essential services more efficiently and, second, to point out what government activities were not essential and should be discontinued.

The fact that Congress proposed the study suggested that Congress would expect the resulting recommendations to be carried out.

The Commission enlisted 200 business and professional men to help in its work. After two years of study it submitted 18 reports containing 314 specific recommendations. Among these was one urging that the government discontinue its business-type activities.

The Defense Department, which has some $15,000,000,000 capital investment in 2,500 such activities, prepared to follow the Commission's instructions.

Then Congress passed the Defense Appropriations Act in which it included Section 638 which says that 90 days before the Administration abandons an activity of a business type performed by civilian employes, it must notify the appropriations committees of the House and Senate, justify the cessation on economic grounds and show that it won't impair the defense of the country.

If either committee feels that the activity is essential, it can veto the termination. The result is to give two congressional committees the right to prevent an action which the full Congress has, in effect, said ought to be taken.

In signing the bill, President Eisenhower announced that he regarded this strange grant of power as unconstitutional and instructed the Defense Department to regard it as invalid.

Defense thus found itself with a choice of disobeying the President or disobeying Congress. Since appropriations come from Congress, the decision was not too difficult. The Department compiled a list of 56 activities which it proposed to discontinue and turned it over to the two congressional committees some 90 days ago. The House committee has vetoed four of them.

The vagaries of Defense accounting make it difficult to determine how great would be the benefit if these, or the Department's other business-type activities, were closed down.

It seems unlikely that national security would be greatly jeopardized. Since Defense calls on private industry to build airplanes, atom bombs and nuclear submarines it should be able to find suppliers capable of meeting its needs for rope, or paint or coffee.

Nor does it seem likely that outside purchases of such materials—all of which the Department has been making in its own plants—will strain the Department budget unduly. The savings claimed for government operation are best described by what one critic has called "lemonade stand economics": When Johnny decides to run a lemonade stand in the front yard, mamma supplies the sugar, the lemons, the ice, the pitcher and the serving glasses. She then becomes his best customer. Johnny shows a profit of 50 cents.

Unfortunately, once a government plant is set up, its operators don't tire of the game as quickly as Johnny does. And every one has friends—often on congressional committees—who agree that, although government in business is generally bad, the particular activity in their district is essential—if not to national defense, then for some other reason.

Until that point of view is overcome—and only statesmanship in government and out can overcome it —the savings the Hoover report would make possible can never be fully realized.

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